2014 Human Capital Investment Conference & Gail L. Warden Leadership Excellence Award

Keynote Address

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Developing Leaders
Deloitte’s perspective

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Why developing leaders matters

Leadership matters to companies...

Compared to their peers, organizations with the most mature leadership practices perform better:

- **20x** → Better at **employee retention**
- **12x** → Better at executing on **change and growth**
- **8x** → Better at creating a **performance-based culture**
- **8x** → Better at building **talent bench strength**
- **7x** → Better at achieving **business results**

...and investors notice

Equity Analysts place a measurable “leadership premium” on stock price:

- **15.7%** Equity premium on organizations with perceived effective leadership
- **-19.8%** Equity discount on organizations with perceived ineffective leadership

Leadership is the #1 talent issue for our clients

- **86%** of 2500+ global executives rated leadership as ‘urgent’ and ‘important’

But only **13%** of these executives rated their development programs as ‘excellent’

The need is clear.

An approach to developing leaders

### Common business triggers
- Acquisition, merger, or divestiture
- Business transformation
- Ambitious growth goals
- Underperforming issues
- Organization restructuring
- Succession gaps
- Low employee engagement
- Low perceived value of leadership development
- Excessive churn of top talent

### Key questions
- What leadership do we need?
- Where are we today?
- How do we improve quickly?

### The approach
1. **Strategy and Models**
   - Validated leadership capabilities, customized to the organization’s business strategy

2. **Assessment**
   - In-depth executive and high potential assessments; and an extensive leadership system assessment

3. **Accelerated Development**
   - Schema-based development programs, executive coaching and career paths to feed succession
A holistic perspective on accelerating leader development

Experiences
Primary development mechanism

Exposure
Sponsors Networks Coaches

Expectations
IDPs, perf. mgt. & rewards

Education
Schema-based development

Traditional
Learning about what a leader needs to do
Focus on effective leadership behaviors
Breaking down into parts
Learning from simulations and case studies
“One size fits all”

Schema-Based
Learning about how a leader needs to think
Focus on the effective leadership decisions
Seeing the whole
Learning from own and others’ experience
Individual-centered learning

Critical Success Factors
Objective & Inclusive
Sponsored & Structured
Balanced & Relevant
Capability-Driven & Integrated
It starts with strategic clarity

Client & Business Growth
- Market Leadership
  - Clients & Industries
  - Global
  - Acquisitions

Strategic Positioning
- Issue to Impact
  - Issue Driven
  - Brand
  - Innovation

Superior Performance
- Focus on Execution
  - Service Delivery
  - Operational Excellence
  - Investments

Owners & Our People
- It’s Who We Are
  - Impact
  - Big Firm, Small Feel
  - Colleagues for Life

Expectations
- IDPs, perf. mgt. & rewards
For our senior leaders, there are three core capabilities across the consultative process:

- **Listen and Understand**
- **Inquire and Analyze**
- **Recommend and Collaborate**

- **Art of Empathy**
- **Art of Inquiry**
- **Art of the Story**
For all leaders: Moments that Matter

The Idea

Deloitte competes in two markets – the market for clients and the market for talent.

We win in both markets by creating Moments that Matter – exceptional experiences that create deep relationships and lasting value for our clients and our people.

The Vision

► 65,000 individuals focused on creating exceptional experiences for both our clients and our people

► Supported by a common language, framework and approach designed to institutionalize a set of behaviors at Deloitte
Everyone has their moments, whether clients or talent. Moves are the set of behaviors that can make those moments matter.

Moments are individual and infinite. Moments are all around us. Some moments we respond to, some we create. There are times when a moment is hard to miss and how we respond makes all the difference in the world. Everyday, predictable moments within the normal course of business can become moments that matter when we approach them that way.

Moves are specific and differentiating. Moves are the behaviors that allow us to seize each opportunity to make a moment matter. Moves are the things that research says make a difference in creating great experiences, and that application tells us really work.
Moves can seem straightforward at first glance - their power emerges by delving into the nuances.
Delivering leadership development in multiple locations and channels

- National programs, including TAP your Potential for all new promotes
- C-Suite Mastery for partners and directors
- Manager Leadership Academy
- Senior Manager Bootcamp
- W2D for experienced hires

- Project & Account team meetings
- Project- and office-based learning sessions
- Team extracurricular event activities
- With our clients

- Lab activities and facilitated support for our teams and clients:
  - Executive Transitions
  - “C” crisis
  - CFO Academy
  - Non-Profit Leadership Academy
  - Physician Leadership Academy
Deloitte is unique among leadership development providers in that we have taken this journey ourselves

The Deloitte US firms hire more than 10,000 college grads, MBAs, and experienced hires each year. In addition, we regularly identify high potentials to fast track through developmental experiences. This practice is followed at all levels and all functions.

Deloitte University, our state of the art development center, is a hub to help prepare new hires through experienced leaders to accelerate their development on the job.

Developing leaders is not just what we do – it is who we are.

DU Facts

93% of DU development programs are leader-led

DU welcomed more than 50,000 learners from 81 countries

The Leadership Center for Clients has hosted over 50% of the Fortune 500 at DU

3000 PPDs who have attended leadership courses

Over 150 veterans have benefited from the CORE program and 94% of those seeking jobs, have found employment

Over 600,000 learning hours have been delivered at DU
Leadership is a deliberate choice

- Doing the right thing instead of doing things right
- Knowing that your success can only be achieved through your team’s success
- Deeply understanding your own journey and frequently sharing stories
- Creating and taking advantage of the moments that matter
- Leaning into ambiguity and acting with intent
- Solving multiple simultaneous equations
- Creating a workplace that recognizes diversity as a competitive advantage
- Finding the courage to set a vision and lead unwaveringly toward it
Appendix
Leadership development is increasingly important in today’s health care landscape

Health care reform is driving the need for strong physician leaders who can lead organizations through large scale change and transition.

We have always known physicians as experts who know the answers and treat us when we’re sick...

With the impact of health care reform, these same providers need to assume additional responsibilities outside of the clinic...

Now our physicians must fill leadership responsibilities that they have never been asked to fill before...

What do physicians need to respond to these new challenges and become effective leaders?

Changing Health Care Landscape

Accountable Care Organizations (ACOs)

Enactment of the Affordable Care Act

Electronic Medical Records

Patient-Centered Medical Homes (PCMHs)

Physician Quality Reporting Initiative
Leadership is about creating a diverse workplace: unCovering

INDIVIDUALS CAN COVER AN IDENTITY ALONG FOUR DIMENSIONS

APPEARANCE
26% of respondents engage in appearance-based covering

Association
14% of respondents engage in association-based covering

Advocacy
26% of respondents engage in advocacy-based covering

Affiliation
32% of respondents engage in affiliation-based covering

Individuals may alter their self-presentation (e.g., grooming, attire, mannerisms, speech) to blend in with the mainstream.

Individuals may avoid professional or personal contact with individuals belonging to their identity or group.

Individuals may avoid showing public support for their identity or group.

Individuals may alter their behavior to avoid engaging in conduct associated with their identity or group to avoid being stereotyped.

“I have a form of MD that no one in my business world knows about. I am supposed to use a cane when I walk which I do not bring with me to work. When walking with someone in my organization, I just tell them I am a slow walker.”

“The first network group formed was for women and I did not want to join a group that focused on women and their issues. I found the best thing to do was to fit in with the men and fit in with the group.”

“Embarrassed to admit, but I do not tell co-workers that actively mock ‘gay’ characteristics to stop because everyone else in the office thinks it is funny.”

“I have put in extra hours and missed family events throughout my career in order to not be included in the ‘young people are lazy’ stereotype.”
A deeper look: Physician leadership development needs assessment
Interviewees identified skills that physician leaders need to develop, which fall into four key areas

- Self-awareness
- Authentic leadership (aligning role with personality, strengths, skills, and values)
- Vulnerability
- Effective communication

- Collaborative and inclusive leadership
- Influence and persuasion
- Negotiation

- Systems thinking
- Strategic decision making
- Decision making during uncertainty
- Strategic thinking for growth and innovation
- Leading and motivating through change
- Stakeholder management

- Ecosystem of interdependencies within healthcare systems
- Market analytics
- Payment / reimbursement models
- Operational excellence as applied to healthcare

Personal Attributes

People Leadership

Strategic Leadership

Healthcare Ecosystem / Business Acumen
Elements of a successful physician leadership development program

Interviewees identified several elements that they would want to see in a physician leadership development program – and we see as central to successful leadership development:

<table>
<thead>
<tr>
<th>Assessments (pre-program, personality, style, strengths, and weaknesses) and executive coaching</th>
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</thead>
<tbody>
<tr>
<td>Networking opportunities across roles, experiences, and responsibilities</td>
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<td>Applied learning with use of a business challenge throughout the program</td>
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<td>Team-based learning, including non-physician team members</td>
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<td>Modular (with potential “tracks”) to ensure the program is relevant and impactful</td>
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<td>An active board of advisors throughout the program</td>
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<td>Mix of in-residence and connected learning for business fundamentals</td>
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<td>Relevant content with healthcare examples</td>
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<td>Creation and support of an alumni network</td>
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Fundamental questions about the business place demands on leadership

**Business context**

- What are the mega trends impacting the industry and business?
- What is the growth strategy?
- Are there significant transformations that require new thinking?
- Are there succession issues in the organization?
- Is critical talent engaged and motivated to work toward stretch goals?

**Leadership implications**

- Are leaders prepared to drive change in a shifting landscape?
- How do we define the future of leadership for the company?
- Should we build or buy future leaders?
- How strong is our current bench?
- How effectively do our leaders work together to drive business strategy?
- Do our current leadership development investments produce the leadership return we are looking for?

Defining the leadership strategy, shaping the leadership culture, and improving overall leadership effectiveness is one of the most critical roles of any executive.
Physician leadership development needs assessment
We interviewed key healthcare leaders and they admitted that they are facing challenges around developing physicians leaders

| Selection Process | • Difficulty identifying the physicians who could take on leadership roles and enticing them to do so  
|                   | • Some physicians who are willing to take on leadership positions might not be the best ones for the jobs  
|                   | • Historically, there have not been a lot of choices when selecting candidates  
|                   | • Administrative roles are not rewarded as it doesn’t facilitate the path to professor |
| Leader Credibility | • Physicians need to establish their credibility as clinicians before they embrace a leadership position  
|                   | • Some physicians need to keep a clinical role as well as a leadership role |
| Post-Program Integration | • The healthcare system needs to ensure that the environment is supportive of the development and tools gained by physicians during a leadership program  
|                   | • Need to identify the roles physician leaders can take after a development program  
|                   | • Lack of formal succession planning in place causes difficulty for incoming physicians and physicians with expectations after attending a development program |
| Managing High Performers | • Very accomplished individuals who have always excelled and are not used to failing may think they don’t have to follow rules  
|                        | • Hard to make them do something when they feel they are not employees of the hospital  
|                        | • Mistrust of the hospital administration |
Teaching physicians to think as leaders: Schema-based development (SBD)

To accelerate how physician leaders learn on the job, it is useful to leverage core principles of psychology and adult learning.

Schema-based Development

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<th>Schema-Based Development</th>
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Schema-based development increases the impact of learning – resulting in more prepared leaders and more successful learning at scale.

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Physicians will have to demonstrate elevated leadership and manage new functions, resulting in a new set of competencies\(^1\)

**Greater Leadership Expectations**

- Manage inter-professional teams
- Coordinate care across multiple settings
- Increase efficiency of care delivery

**New Capacities / Functions**

- Operations Managers
- Financial Managers
- Quality Managers
- Population Managers
- Utilization Managers
- Informaticians
- Talent Managers

**Critical Competencies for the New Physician Leaders**

- Setting a vision
- Change leadership
- Influence/Persuasion
- Collaboration
- Decision-Making
- Motivating others
- Employee Involvement
- Developing others
- Self-Awareness
- Diversity & Inclusion
- Flexibility
- Team-building

In order to truly elevate physician leadership, successful organizations will incorporate three elements: identification, investment, and acceleration.

1. Carefully identify physicians with the appropriate aspiration, capability and potential.

2. Invest resources in developing high-potential leaders to take on critical roles.

3. Accelerate closure of assessed developmental gaps by delivering targeted education, reinforced with complementary experience and exposure.

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