



# IMA INSIGHTS

## Invest in Leadership Development to Improve Organizational Performance

To our Healthcare Clients and Friends:

This issue of *IMA Insights* focuses on the crucial attributes of nurse manager (NM) competency in attracting staff and achieving quality, safety, and financial outcomes. In acute care institutions, the NM plays an increasingly critical role. Successful NMs actualize positive clinical outcomes, satisfaction, and safety approaches in the face of organizational challenges. Given this important role, healthcare leaders must recognize that NM competency is crucial in supporting organizational goal attainment.

### BACKGROUND

Hospitals' operating budgets weigh heavily in salary expenses, the largest portion of which is personnel expenses within nursing departments. Furthermore, hospitals face increasing scrutiny to demonstrate quality and service outcomes, documented through public reporting and transparency initiatives. Given these requirements, successful organizations must assure that effective and competent managers oversee nursing, at both the department and unit levels. Unit NMs play crucial roles in ensuring the highest level of quality, service, and financial performance.

The significant and challenging environmental pressures confronting NMs creates the need for investment in nurse manager competence and effectiveness, thus ensuring their success and ultimately the organization's performance.

### KEY ISSUES

The NM role proves integral to an acute care organization's success. NMs must match staff to volume and acuity demands, manage supply costs, address service utilization, maximize clinical outcomes, develop and manage operating and capital budgets, foster nurse retention, promote professional practice, increase patient, staff and physician satisfaction, manage daily operations, and support organizational initiatives. The diverse and competing demands inherent in the NM role suggest that incumbents must manage a complex myriad of issues.

In 2007, staff nurse replacement costs approximated a nurse's annual salary of \$60,000. Nationally, the nurse turnover rate in 2007 was eight percent. Thus, an organization employing 300 professional nurses would have spent more than \$1,000,000, annually, in nurse recruitment costs. Numerous research studies have indicated that effective, competent NMs create satisfying and supportive work environments that promote professional practice and result in higher staff nurse retention rates than their less effective peers. As important, staff nurses who work with effective NMs express lower intentions of moving on to other organizations. The intent to move on is correlated directly with future turnover. RN turnover and the concomitant vacancies create workforce shortages that result in Emergency Department (ED) overcrowding, ED diverts, decreased numbers of staffed beds available for admissions, increase in errors and nosocomial infections, and delayed discharges, which may be associated with an increase in denied days.

While NMs are critical in fostering increased staff nurse retention and satisfaction, successful NMs also influence clinical outcome performance. A satisfied, competent staff, coupled with a professionally supportive

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environment and strong collaboration with physicians and other members of the healthcare team, results in improved clinical outcomes and decreased complications. Complications increase hospital expense, as noted in the following table.

**Cost of Complications**

Complication	Cost per Event
Surgical Site Infection	\$25,546
Central Line Associated Bloodstream Infection	\$36,441
Ventilator Associated Pneumonia	\$9,969 (average 13 day increase in LOS)
Catheter Associated Urinary Tract Infection	\$1006

Decreasing complications has become more important to the hospitals' financial reimbursement. Effective 2008, Medicare will no longer reimburse hospitals for eight conditions that have evidence based prevention guidelines. These conditions include: nosocomial pressure ulcers, urinary tract infections, bloodstream catheter infections, fall related injury, blood incompatibilities, air emboli, and left surgical objects. Causes of hospital acquired complications are multi-factorial; however, nursing staff play a direct role in their prevention. Competent and perceptive NMs represent a key contributor to their staffs' performance specific to clinical outcomes.

### INSIGHTS

Successful NMs must possess clinical and business acumen, be operationally astute, and demonstrate organizational savvy, while attracting, motivating and supporting staff. They must demonstrate proficiency in:

- Daily operations: supply expense management, expediting patient throughput, service utilization, and matching staffing to volume and acuity.
- Fiscal planning and adherence to both operational and capital budgets.
- Patient safety and quality of care ranging from assuring documentation compliance to attainment of care standards to regulatory requirement adherence.
- Interpersonal communication including developing collaborative relationships with physicians, effectively managing interdisciplinary teams, and motivating staff.
- Staff development: assuring that staff are abreast of and competent in new approaches to care, maximizing staff satisfaction by supporting ongoing professional development, and grooming the next generation of leaders.
- Staff recruitment and retention: attracting competent, collaborative, and caring staff and retaining the next generation of clinical and administrative leaders.

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IMA Consulting's experience suggests that successful NMs possess a strong foundation in clinical nursing practice. While often promoted on the basis of clinical competency, NMs must evidence competence in the domains, as noted below:

- Daily Operations
- Patient Safety and Quality of Care
- Quality Improvement
- Staff Development
- Staff Retention
- Communications: Interpersonal, Group, and Organizational
- Fiscal Planning
- Professional Practice
- Self Development
- Staff Recruitment
- Supervisory Responsibilities

The initial step in assuring NM competence lies in identifying the gap between desired and actual performance. Gap analysis results then serve as a basis from which to develop enrichment plans at both the individual and group levels. The organization must position these enrichment plans as investments in individual's achievement of organizational goals and performance outcomes, and not as a vehicle to address performance concerns. This is a critical differentiation when investing in the future of leaders and the organization.

Several different tools and methodologies exist for assessing nurse manager competency. The Nurse Manager Competency Inventory (NMCI), a unique research-based tool, can discriminate behavior. A valid and reliable tool, the NMCI can measure nurse manager performance in 11 competency domains. The NMCI documents both perceived organizational prioritization and manager performance for each of 93 competency statements. The tool supports both a traditional supervisor-employee evaluation and a 360-degree approach. NMCI results can provide an organizational approach that encompasses enrichment, coaching, and mentoring opportunities. These are imperative for success.

### SUMMARY

NMs are integral and key contributors to an organization's performance. Investments made in NM competency enrichment can result in expense savings through increased retention, improved clinical outcomes, decreased lengths of stay, and reduced nosocomial events. Further, this investment provides a foundation for succession planning – a way to assure the hospital has leaders who are committed to the organization's future. Given the expense reduction, cost avoidance, public reporting, and transparency pressures facing hospitals, healthcare leaders must commit to the development of its NMs.

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## Invest in Leadership Development to Improve Organizational Performance

We are pleased to have had the opportunity to provide this information to you. If you have questions or need assistance, please contact either Marianne Dietrick-Gallagher, RN, MSN or me at 866-840-0151.

Yours very truly,

Mary Ann Holt  
Partner

### References

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### ANNOUNCEMENT

**IMA Web University's Third Thursday Webinar Series Presents:**

***"Transfer DRGs - The Newest Underpayment Battleground"***

Thursday, August 21, 2008

1:00 - 2:00 p.m. EST

Cost: \$95

For more information or to register please contact Julie Burgess at 484-840-1984 or [jburgess@ima-consulting.com](mailto:jburgess@ima-consulting.com).