



Healthcare to get you back to you.

The Key to Performance: Understanding Value Creation

Webinar for the Bay Area and
Boise State Chapter of ISPI

October 26, 2017

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Prior...

70's: Praxis Corporation – Training materials administration

80's: The Rummler Group – Operations manager

90's: The Rummler-Brache Group and RBG Asia – Consultant

'01-'16: Performance Design Lab – Partner

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A HYPER-SPECIALIZED CARE DELIVERY MODEL

- Total Hip Arthroplasty and Total Knee Arthroplasty procedures
- JV partnership with surgeons
- “Micro ASC” and surgical recovery facility
- Adults aged 45-64 (non-Medicare)
- Prospective, bundled fee revenue model
- Clinically and financially integrated
- Highly specialized, highly engineered and protocol driven



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The Key to Performance: Understanding Value Creation

Outline: Value Creation

- ❖ Significance
- ❖ Applicability
- ❖ Approaches and Models

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The Key to Performance: Understanding Value Creation

Significance

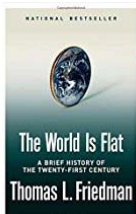
- ❖ The “true north” of performance
- ❖ Motivator of change
 - Individual contributor
 - Management

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The Key to Performance: Understanding Value Creation

Significance

- ❖ Value creation is changing from a “command and control” model to a “connect and collaborate” model.
- ❖ Companies have to create value by:
 - ✓ tailoring to customer’s needs (or enable them to tailor),
 - ✓ collaborating across organizations and departments,
 - ✓ regularly analyzing and optimizing the value we deliver.



The World is Flat: A Brief History of the 21st Century by Thomas L. Friedman

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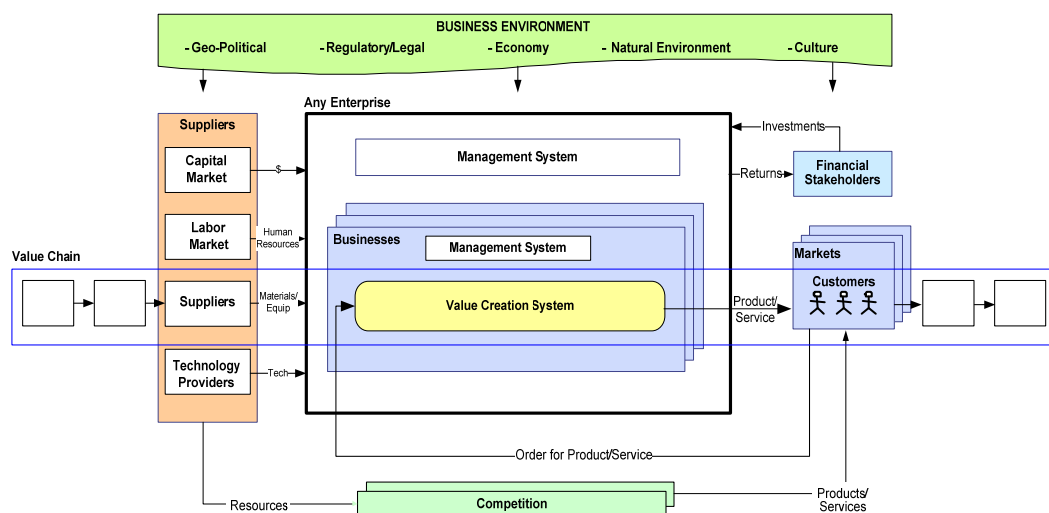
The Key to Performance: Understanding Value Creation

Applicability

- ❖ All Organization and Industry Types
- ❖ All Levels of Performance
 - Function: Enterprise, Division, Department, Team
 - Process & Technology
 - Human: Class/Category & Individual

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The Value Context



What is a Value Creation System?



“Value Creation System”: the business’s end-to-end chain of work processes that convert inputs into the valued outputs delivered to its customer.

- The Value Creation System is the portion of the larger Value Chain the organization controls.
- The Value Chain includes the customer’s customers and the supplier’s suppliers.
- Most organizations have multiple Value Creation Systems.

Understanding Value Creation

Two Fundamental Approaches:

- I. Outside In
- II. Macro to Micro

The Key to Performance: Understanding Value Creation

“Visual” Models

❖ **Purpose: to illuminate the system of value creation and related performance variables for the purpose of:**

- Testing and clarifying
- Building shared understanding
- Aligning stakeholders on performance reality, gaps, trends and direction.

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You have been criticized for your abundant use of complex diagrams in your books. Given the chance, would you do them differently now?



“Definitely not. I might make better diagrams but certainly wouldn’t stop making them.”



“You can list variables that affect organizational results, but words can’t show the relationships between things—a diagram can. I have a saying that if I can’t draw a picture of a problem, I don’t understand it.”

Interview with Geary Rummler for ASTD Magazine, 2007

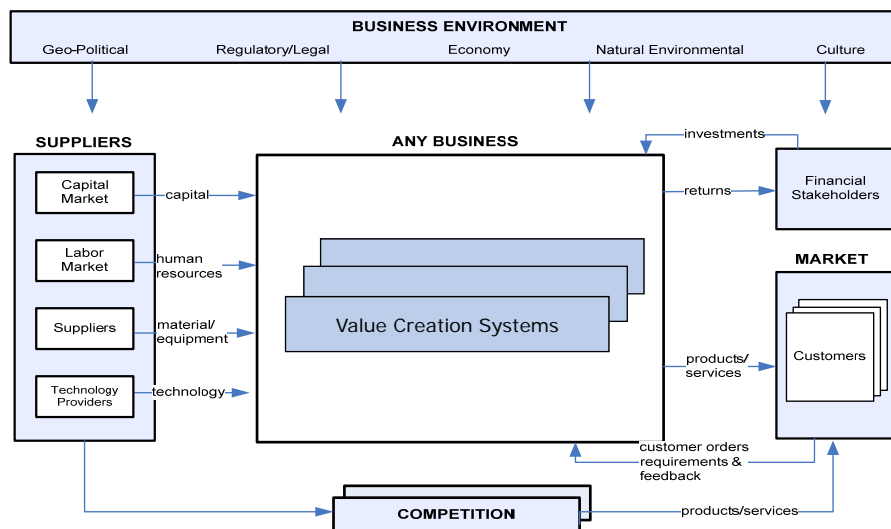
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Understanding Value Creation

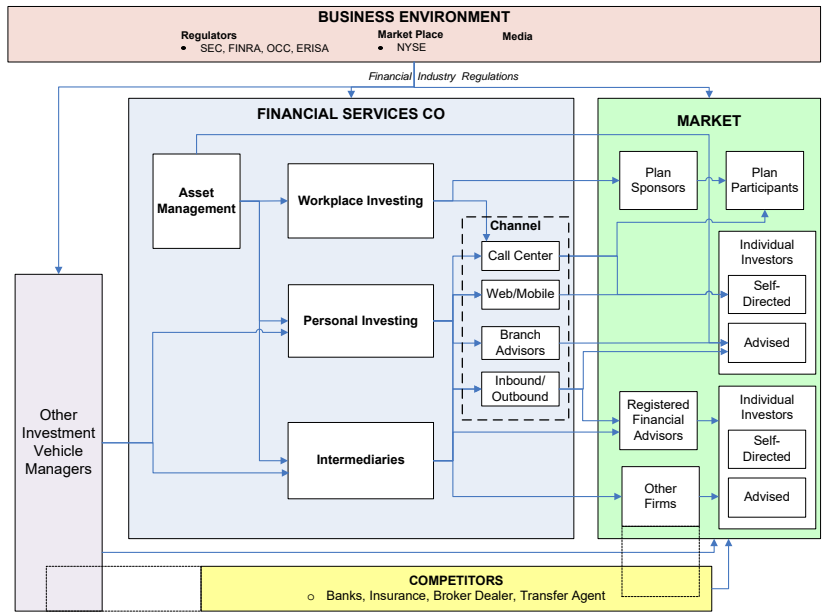
Outside In Model

- Super System Map

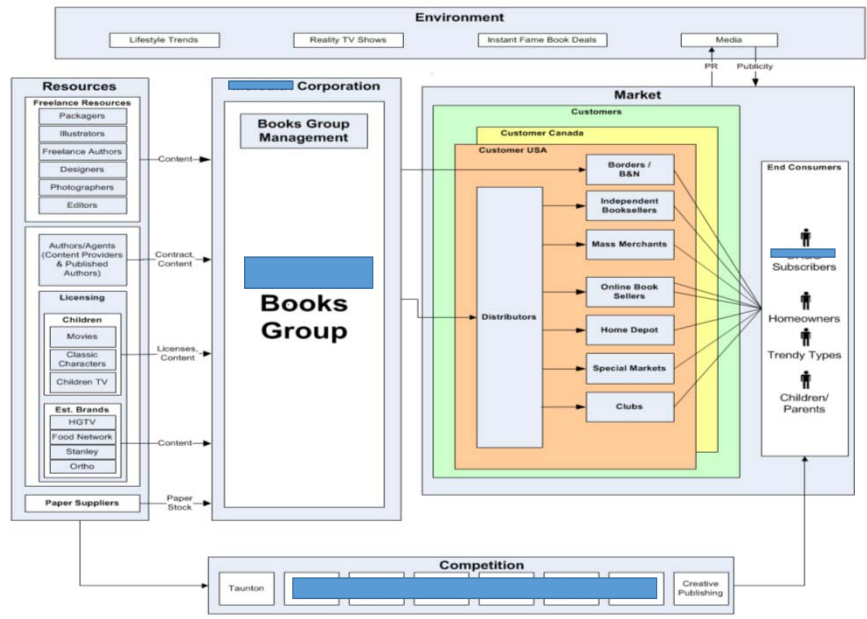
Super System Map



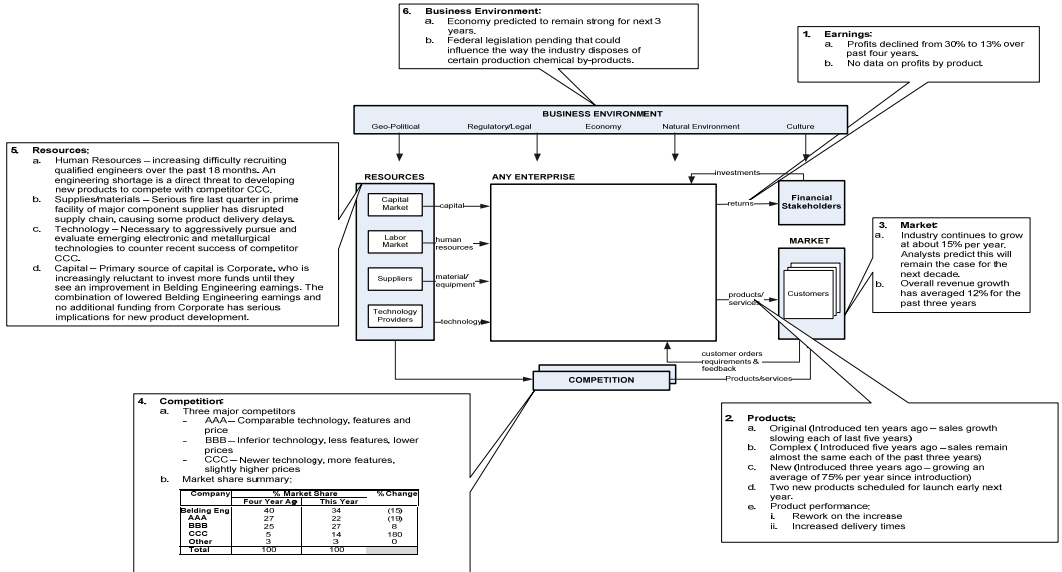
Super System Map Example



Super System Map Example



Annotated Super System Map

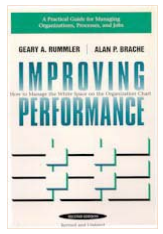
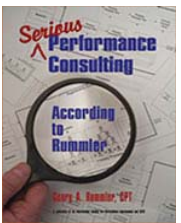


Understanding Value Creation

Outside In Model: Super System Map

• For more on Super System Maps:

- ✓ White Space Revisited: Creating Value Through Process; G.A. Rummler, A.J. Ramias, R.A. Rummler
- ✓ Serious Performance Consulting According to Rummler; G.A. Rummler
- ✓ Improving Performance: How to Manage the White Space on the Organization Chart; A.P. Brache & G.A. Rummler; 2nd edition



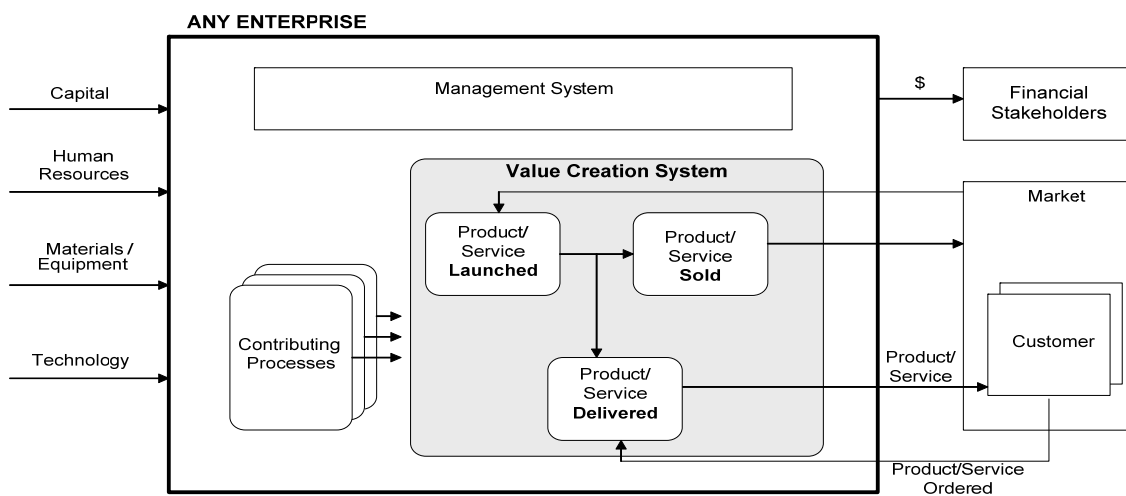


STAKEHOLDER VALUE MODEL

	Patients	Payers	Providers
Superior Outcomes	✓	✓	✓
Reduced Risk	✓	✓	✓
Extra-ordinary Experience	✓	✓	✓



Value Creation View of an Organization



Value Creation Sub Systems

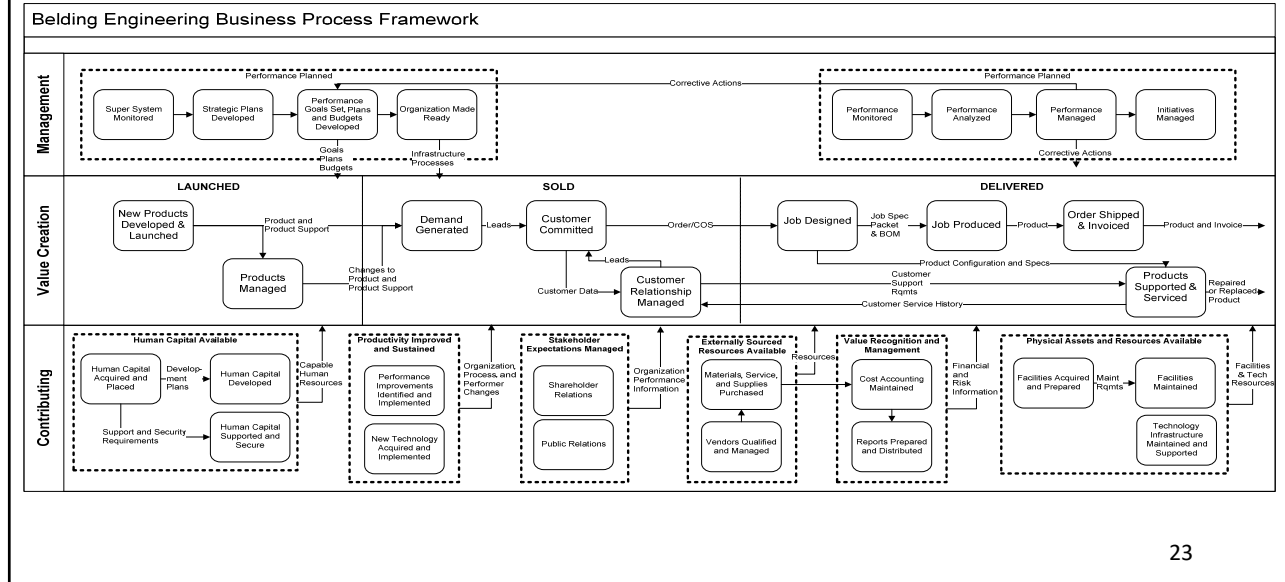
"Product/Service" Launched	"Product/Service" Sold	"Product/Service" Delivered
<ol style="list-style-type: none"> 1. Finding or inventing a Product/Service/ Offering that will satisfy a customer need. 2. Enhancing existing product through redesign, re-pricing or repositioning. 3. "Sunsetting" or discontinuing products that are no longer viable. 	<ol style="list-style-type: none"> 1. "Demand Developed". Creating demand for the P/S, usually done by Marketing. Output is usually a "lead". 2. "Customer Committed". Frequently requires a sales organization to convert "interest" into a commitment to purchase. 3. "Relationship Maintained." Enhancement and maintenance of the customer relationship. 	<ol style="list-style-type: none"> 1. Processing the Order, from "Order entered" to "payment received" and "warranty administered". If a <u>Product</u> – Making, Delivering and Supporting. If a <u>Service</u> – Customizing, Delivering and Supporting. 2. May also include installation and servicing.

Understanding Value Creation

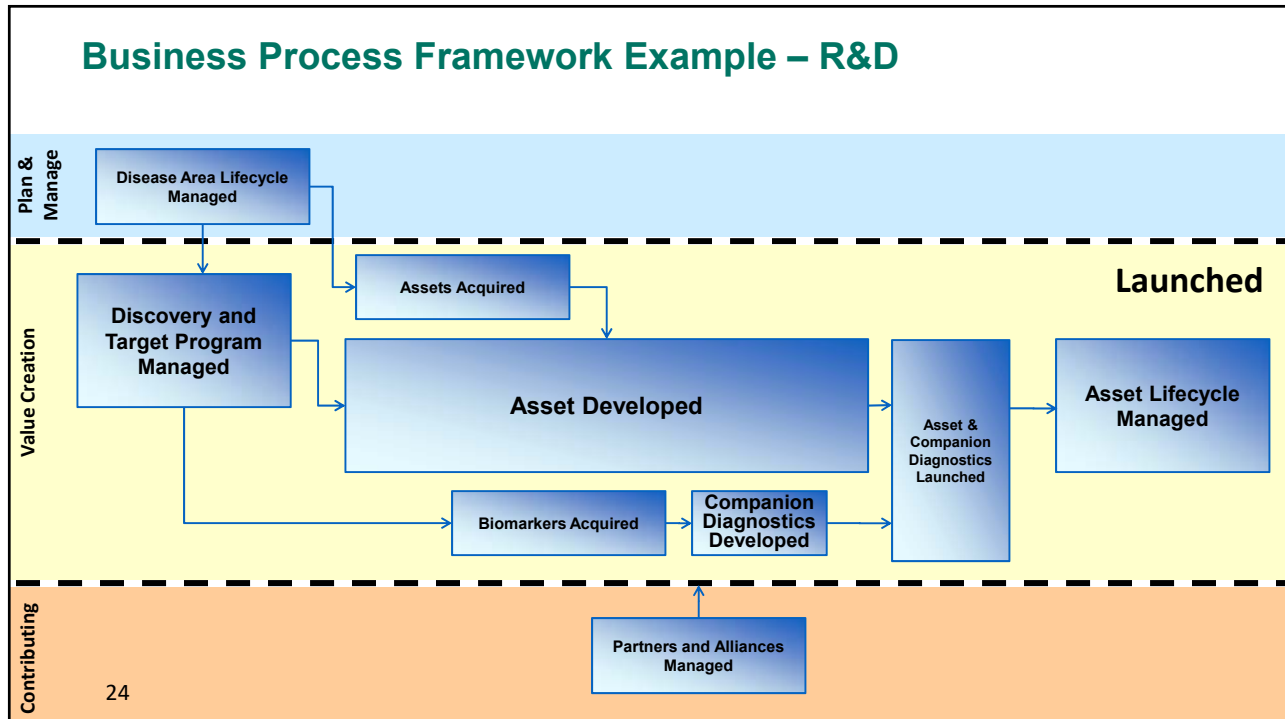
Macro to Micro Models

- Business Process Framework
- Macro Process Map

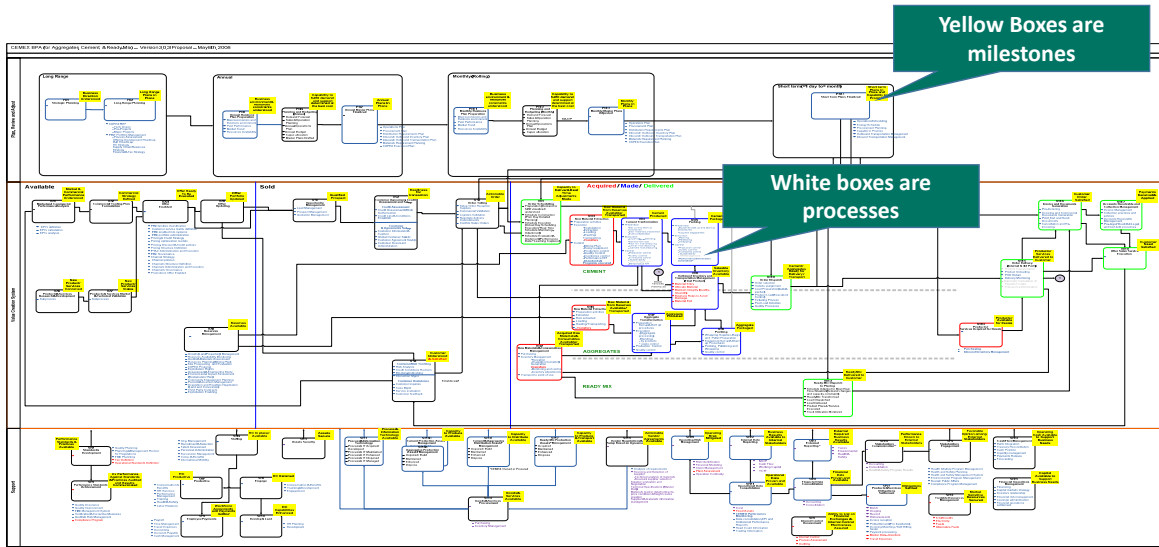
Business Process Framework Example



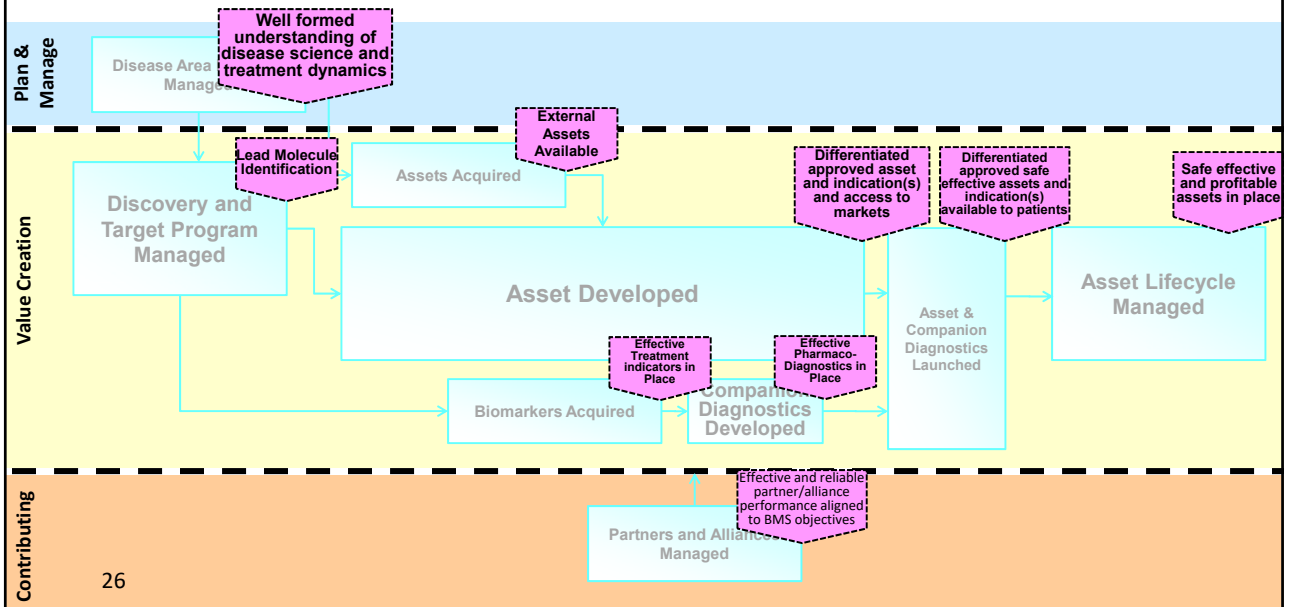
Business Process Framework Example – R&D



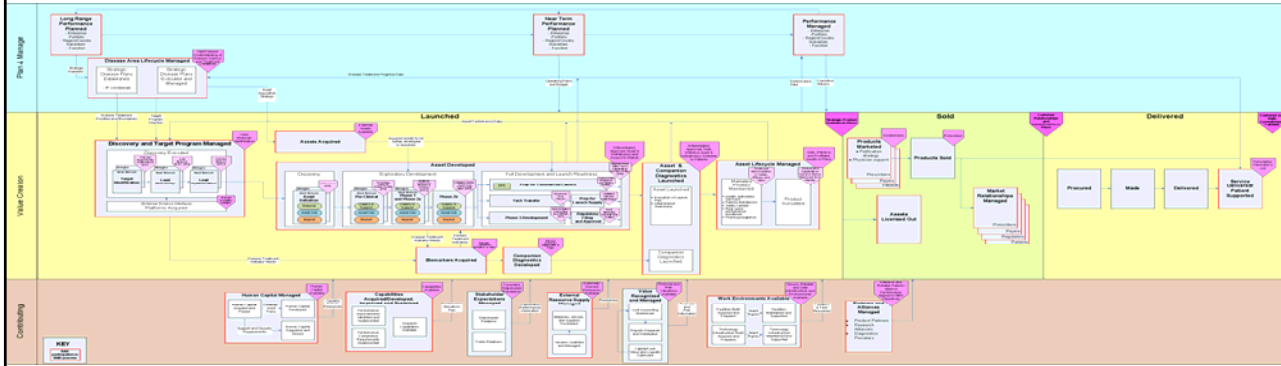
Business Process Framework with Value Milestones



Business Process Framework Example – R&D

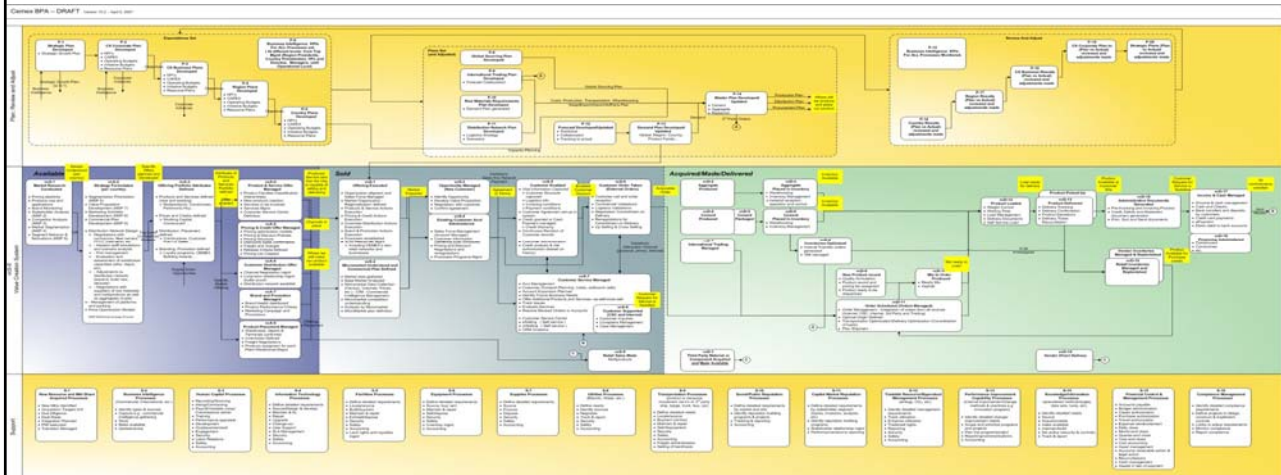


Business Process Framework Example



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Business Process Framework Example



Understanding Value Creation

Macro to Micro Model: Business Process Framework

- For more on Business Process Frameworks:
 - ✓ White Space Revisited: Creating Value Through Process; G.A. Rummler, A.J. Ramias, R.A. Rummler
 - ✓ Rediscovering Value: Leading the 3-D Enterprise to Sustainable Success; G.A. Rummler, A.J. Ramias, C.L. Wilkins



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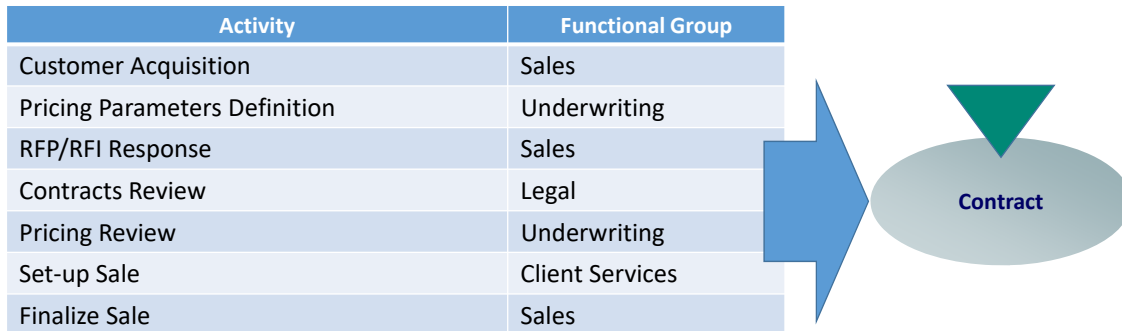
Defining Processes in Terms of Value

- **Processes** are *constructs* for organizing value-adding work to achieve a business valued milestone so they:
 - can be *performed effectively and efficiently*
 - can be *managed effectively*
 - offers the potential for a competitive advantage
- **Value milestones** are points at which the nature of what is moving through a process transforms and creates value
- A process is complete when it fully enables subsequent process(es)

Defining processes in terms of the value they create allows an organization to truly optimize the way they do business.

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Value Milestone Example



Process = all of the work to get to the milestone

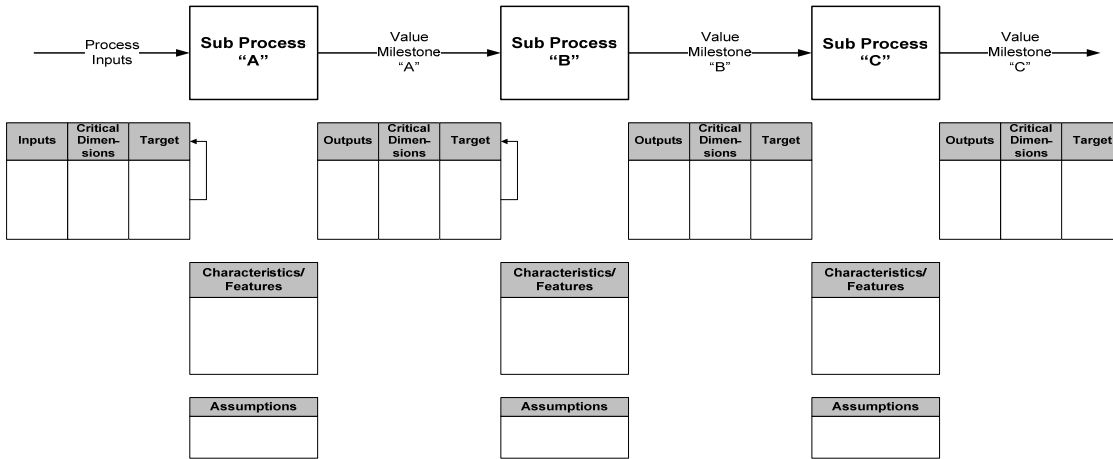
Understanding Value Creation

Macro to Micro Models

- Business Process Framework
- Macro Process Map



Macro Process Map

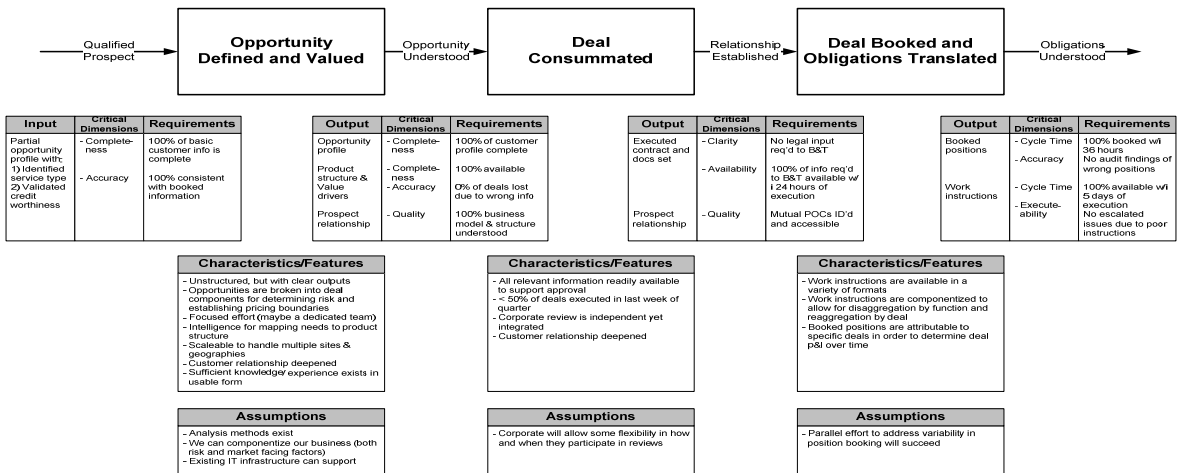


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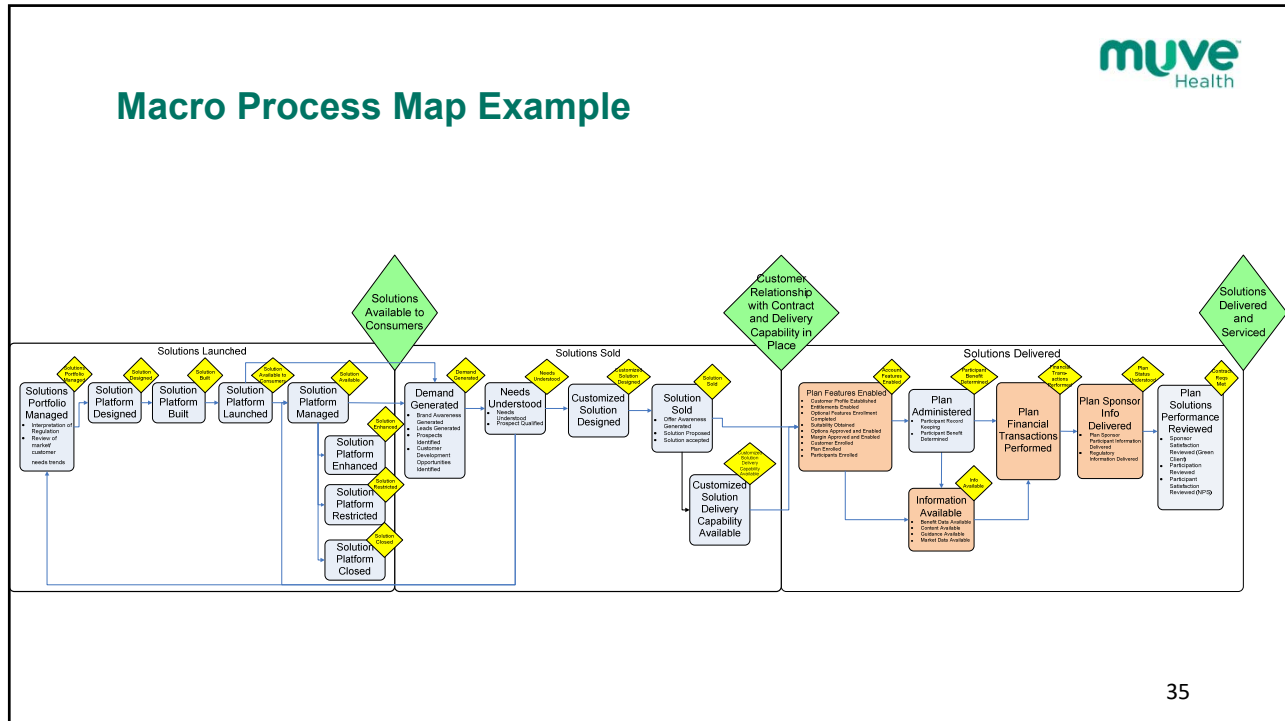


Macro Process Map Example

Pricing and Booking Process



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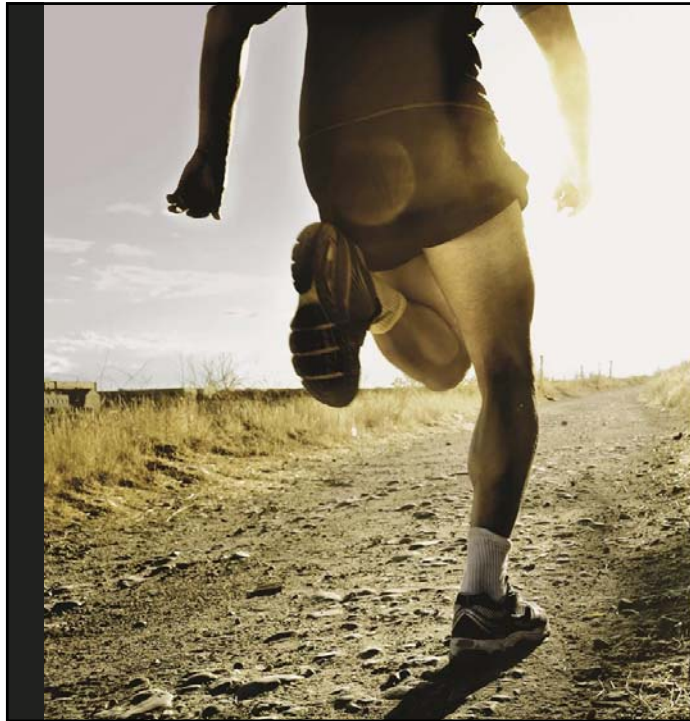


Understanding Value Creation

Macro to Micro Model: Macro Process Map

- For more on Macro Process Maps:
 - ✓ White Space Revisited: Creating Value Through Process; G.A. Rummler, A.J. Ramias, R.A. Rummler

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Summary

- Value Creation is the “true north” of performance and is increasingly important to surviving in fast changing business environments.
- Value creation modeling is best accomplished working outside in and macro to micro.
- The concepts and models associated with value creation are applicable to all organization types and sizes.
- Understanding value facilitates prioritization and trade-off decision making and is a strong motivator of change.

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Contact: Rick@MuveHealth.com

THANK YOU

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