

## A Perfect Cure

**HCA's John Steele -- HRE's 2014 HR Executive of the Year --** is breathing new life into an organization that has seen its share of challenges and change.



By Mark McGraw

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A lot can happen in 20 years, and it certainly has in the nearly two decades that John Steele has spent with the Hospital Corporation of America.

Since he joined the Nashville, Tenn.-based healthcare-facility operator as the head of recruiting in 1995, the company has changed chief executive officers three times, gone from a publicly traded company to a private entity and back to a public one again, and even weathered a controversy that made national headlines.

And Steele, now HCA's senior vice president of human resources, has helped keep the company moving forward through all of it.

"I suspect that few chief human resource officers have been called upon to manage the sorts of organizational

change that John has confronted," says Milton Johnson, who took over as president and CEO at HCA in January of this year.

Johnson understands the integral role Steele plays at HCA better than anyone.

"John's vital role on HCA's executive team is evinced by the fact that he is one of only six senior executives whom I invite to my bi-weekly Executive Leadership meeting," says Johnson.

Indeed, Steele is part of the select group of executives in attendance at these gatherings, where he, Johnson and a handful of other C-level leaders determine the organization's strategic direction.

Steele considers finding and grooming the next wave of leaders who will comprise the executive-leadership team of the future a top priority. In fact, he led the development of HCA's Chief Operating Officer Development Program, which identifies and cultivates qualified candidates who could, over time, develop into COOs and, ultimately, CEOs.

"John's commitment to executive-leadership development has had a significant impact on the career advancement of many graduates of the programs," says Johnson.

The numbers say as much. The COO-development program has seen 237 of its alumni receive promotions into executive-level roles, with 58 percent of the current COOs and 10 percent of the CEOs within the HCA system coming through the program as well.

On the heels of such success, Steele and HCA have added programs for chief-nursing-officer and chief-financial-officer candidates, and the organization plans to launch its Leadership Institute in the coming months, which aims to identify the top 1,000 rising leaders throughout HCA and nurture their potential.

"The work of John's HR team is front and center in our strategic agenda for 2014, 2015 and beyond," says Johnson.

Indeed, Steele's fingerprints will continue to be seen throughout HCA in the days to come, as the change he's helped to forge, and the leaders he's helped bring along, come to fruition. And what he's already accomplished there has helped to earn him the title of Human Resource Executive's HR Executive of the Year for 2014.

### **Maintaining Continuity**

When Steele arrived at HCA more than 19 years ago, he found an organization that was growing rapidly, having just consolidated three large health systems into one the previous year, through acquisitions.

But HCA -- which now manages roughly 165 hospitals and 115 freestanding surgery centers in the United States and England -- hadn't quite figured out how to handle this growth.

"There weren't a lot of consistent processes in place" at the time, says Steele.

For example, each of the companies had its own process for recruiting talent, which, in some cases, involved the recruiting team, but "in most cases did not," he says. In addition, there were a limited number of recruiters in the organization, and because of the disparate recruiting processes, "different parts of the organization may be recruiting the same individual and making competing offers."

To alleviate such problems, Steele and his recruiting team developed standard processes and policies for posting jobs, crafting offer letters and conducting interviews, as well as creating a network of external researchers to help with sourcing candidates.

More change would soon be in the works. Steele took over as senior vice president of human resources in 2003. At the time Steele was settling into the top HR post, the organization was still shaking off the effects of a scandal that had been hanging overhead for five-plus years.

In 2000, HCA agreed to pay a total of \$840 million in criminal and civil penalties, stemming from charges of fraud that dated back to 1997. As part of its settlement, HCA admitted to a string of charges that included overbilling the government, reporting overestimated bills and expenses for reimbursement; striking illegal deals with home-care agencies, increasing Medicare billings by exaggerating the seriousness of illnesses they were treating; and granting doctors partnership in company hospitals in exchange for referring patients to HCA facilities.

In the wake of the FBI, IRS and Health and Human Services-led investigation into HCA's billing practices, the company's board of directors forced then-CEO (and current Gov. of Florida) Rick Scott to step down. He was replaced by Jack Bovender, who took over in 2001 and led the organization until 2009, when Richard Bracken took the reins.

Bracken held that position until Jan. 1 of this year, when Johnson officially became HCA's top chief. For an organization that had seen its share of upheaval in recent years, a smooth transition was paramount.

Steele somewhat downplays his part in helping to pave the way for Johnson.

"I view my role as primarily [being] a sounding board," he says now. "For both the incoming and outgoing executives, we talk about how the transition might work, and I communicate with the board about areas where we may be lagging, and what the new CEO is going to be working on."

HCA Vice President of Labor Relations Thomas Beck -- who nominated Steele for HR Executive of the Year -- is more effusive, however, in describing Steele's role in the CEO succession.

"The transition of a new chief executive officer is a significant, and potentially traumatic, event for any organization," says Beck.

"No matter how thoughtful the process of selecting the new leader, it is usually accompanied by 'domino-effect' changes involving the board of directors and senior staff executives, rumors and speculation."

Steele, however, "has helped create an environment where CEO succession is viewed as a positive" by employees and shareholders, he says.

"Because he's so in touch with the business environment and our dynamic business model, John has always maintained a clear understanding of the profile of the ideal CEO, even as that profile evolves with changing conditions," says Beck. "As a result, he has been able to advise senior executives about what the board is likely to look for in the next CEO and about developmental opportunities."

As the CEO-succession process has unfolded at HCA, Steele has also served as a key consultant to the organization's board as it evaluates senior executive talent and considers changes in leadership, says Beck.

For example, he says, Steele has served as a sounding board for Johnson since the new CEO arrived, consulting him on organizational design and "a variety of other matters that are crucial to organizational effectiveness."

### **Nurturing Leaders**

Steele, who helped create the COO program based on extensive collaboration with former CEO Bovender, maintains a very consultative relationship with Johnson, and he cites the soon-to-be-launched Leadership Institute as "an example of something that's really evolved as a result of the give and take" that he has enjoyed with him and the organization's other top executives.

During conversations between the two men that took place soon after Johnson arrived, "it became clear that one of the key things he wanted to concentrate on -- in addition to continuing to focus first on the patient -- was leadership development," says Steele.

"We sort of went from wanting to be an organization that's known for developing talent to wanting to be world class in that space," he says.

Steele says his ultimate goal is "to have a scalable platform that provides development literally at every level" of the organization.

"But over the near-term," he adds, "[the institute's thrust] will be focused on executive transitions. What we want to do is shorten the time to success, and do what we can do to help executives get up to speed more quickly in their new roles."

Steele and HCA plan to do that by providing a combination of facilitated discussions, peer mentoring and coaching, some of which will be done through multi-day seminars that will soon begin in Nashville, where executives will be introduced to other senior leaders in the organization and work on a formal plan for accelerating their performance in their roles.

"[The HR team] is working hard on facilitating that," says Steele, "and we will have that in place by the end of the year."

In the meantime, executives have been getting to know one another -- and employees throughout the 20 U.S. states in which HCA operates -- through the "road shows" that Steele and the HR function helped to develop.

Johnson leads each of these "shows," which typically include Q&A sessions and an opportunity for dinner with senior leaders in each market.

"The road shows are a lot of fun," says Steele. "We put 10 or so senior leaders on a plane -- the CFO and the COO, for example, and I'd be there from HR -- and we travel to various markets and talk about leadership's agenda, where our focus is as an organization."

From a strictly HR standpoint, part of Steele's and his team's focus has been on helping employees at all levels better prepare for their futures beyond HCA.

After conducting analyses with its third-party retirement-plan provider and soliciting extensive employee feedback regarding the company's plan, Steele and HCA found that "over time, the one thing [employees] seemed to value the most is the 401(k) match," he says. "So we thought we'd take that and expand it in a big way."

What that meant was going from an assortment of available retirement plans to a 401(k) plan with a 100 percent company match for 3 percent to 9 percent match of base pay -- depending on tenure. Since implementing that change in 2007, HCA has seen program participation increase from 74 percent to 86 percent in 2014.

Steele and the HR function are also aiding lower-income employees with benefit costs by rolling out the Employee Healthcare Assistance Fund program, which provides zero-cost employee-only medical plans for more than 2,000 of HCA's lower-earning workers. In addition, the Employee Retirement Assistance Contribution program makes 401(k) contributions -- not requiring an employee contribution -- for more than 5,000 lower-income employees.

### **Finding What Works**

Another employee-centric project that originated during Steele's tenure as head of HR was the creation of the "Healthy Work Environment" initiative, which determines where HCA's highest-performing hospitals excel, and puts these processes and practices in place throughout the system.

"In the mid-2000s, we were looking at what makes one hospital more successful than another," says Steele. "We commissioned two studies, including one with an external consultant who went outside of HCA to study hospitals that were successful for a long time."

Using a variety of metrics -- safety statistics, financial measures, and engagement and turnover figures, for instance -- Steele and his HR team created a list of top-performing hospitals within HCA, and studied why they were successful.

What they found these facilities doing well -- leading to the implementation of changes throughout -- was "the basic stuff," he says. For example, he says, "we instituted employee advisory groups at every facility. So employees now have the opportunity to participate in a group that provides input on the things they want to see addressed in their local facilities."

Special subgroups were also formed within each hospital's employee advisory group -- created to hear, consider and advise management on suggestions to improve staffing, workload and scheduling. As a result of feedback from these groups, work schedules throughout every HCA facility must now be posted at least 14 days in advance, consider employee preferences and provide reasonable accommodations to balance employees' work and family commitments, and limit the number of consecutively scheduled shifts workers may be assigned, for instance.

At the leadership level, HCA also implemented mandatory, annual training on employee leadership skills for all supervisors, and adopted open-door and employee-forum practices at all of its facilities.

Steele's efforts in establishing the healthy initiative are "very impressive," says Fred Foulkes, director of the Human Resource Policy Institute, professor of management policy at the Boston University School of Management, and one of the judges for this year's contest.

"If you think about the concept of employee well-being, this notion of a healthy work environment, he and HCA have sort of broadened it, in terms of the employee's relationship with the company, and employees' all-around health.

"It seems to me," says Foulkes, "that he's taken a very comprehensive approach [to this initiative], and, importantly, gotten support for it throughout the company, which isn't easy with such a large organization. And you can see that they've gotten results."

Indeed. The organization has seen participation in annual employee-engagement surveys increase from 80 percent to 85 percent between 2006 and 2011, for example, with 12-month turnover rates dropping from 21 percent to 15 percent in that same span. (To put those percentages in perspective, consider that HCA employs approximately 204,000 people.)

Looking forward, Steele plans to offer additional tools and resources to aid workers throughout the system with their day-to-day job duties, as HCA transitions to what it calls its "oneHR" operating model in 2015.

Steele, who led the creation of an executive-operations-advisory council to oversee this shift, says the model will clarify accountabilities, speed transactions and standardize policies throughout the HCA system, as well as adding services such as an around-the-clock employee-service center designed to provide information and aid employees and managers with routine transactions. In addition, HCA is adding an HR portal geared toward enabling self-service transactions and access to information from anywhere.

With a pipeline nearly bursting with new initiatives, Steele is eager to see what sort of change he and his HR team can help effect throughout HCA.

"These are the types of things that have that 'tingle factor' for an HR person," he says. "When these sorts of opportunities come along, HR can be a real difference-maker. I'm really excited about where we're going."

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John Steele

**Title:** Senior Vice President of Human Resources

**Organization:** Hospital Corporation of America, Nashville, Tenn.

**Key HR Challenges:** Taking over an HR function for an organization with 200,000-plus employees and a lack of consistent policies and processes throughout the HCA system; helping to steer the organization through multiple CEO transitions in less than 10 years; moving from a myriad of retirement plans to one 401(k) plan.

**Key HR Accomplishments:** Initiated the "Healthy Work Environment" program; participates in the six-person CEO Executive Council, designed to set and address HCA's strategic priorities; led the creation of the Chief Operating Officer Development Program and subsequent Chief Nursing Officer and Chief Financial Officer programs; acted as a consultant for the board of directors through two CEO transitions; is overseeing the transition to a "oneHR" operating model, planned to be in place in 2015, including streamlined common HR processes, consistent HR policies across HCA, and new services designed to add value for employees and managers throughout the system.