

St. Luke's Hospital and Health Network Achieves Dramatic Reduction in Management Turnover

*Two-Year Long Application of CPI™ Instrument Results in ROI
Exceeding 3,000 Percent*

CASE STUDY AT A GLANCE

Business Overview

St. Luke's Hospital & Health Network is a fast-growing healthcare network consisting of four hospitals, a visiting nurse's association, 45 physicians' practices, and a durable medical equipment company. Headquartered in South Bethlehem, Pennsylvania, the company has more than 6,000 employees and is in the process of building a new heart and catheterization center and, in partnership with GE Healthcare, a new state-of-the-art hospital.

Challenge

Despite its growth, managerial turnover at St. Luke's Allentown campus was a discouraging 41 percent per year.

Solution

Implemented the CPI™ 434 instrument with all final-round candidates for management positions and, after hiring, uses the results to work with new hires for the first six months.

Results

Now part of the managerial hiring process at St. Luke's, the CPI 434 instrument has helped bring the 41 percent vacancy rate down to 10 percent. St. Luke's estimates an ROI of more than 3,100 percent and savings of more than \$623,000 a year, based on the conservative estimate of replacement costs of 1.5 times salary. (This is on the low end of the cost to replace managers; average costs range from 1.5 to 4 times salary.)

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Hiring the right person for any job is rarely easy, and filling management positions can be particularly challenging. Yet most companies today know that selecting the right managers and leaders can have a lasting impact on their future success—if, *and only if*, they retain them. And that was the crux of the problem St. Luke's Hospital & Health Network faced. Management turnover at its Allentown campus was a discouraging 41 percent annually. St. Luke's was determined to improve its retention performance.

St. Luke's had every reason to be optimistic. The organization was gaining market share in its region and growing fast. Founded in 1872 in South Bethlehem, Pennsylvania, in what used to be the heart of the steel industry in the United States, St. Luke's has a rich heritage. It was one of the first hospitals in the country to use electricity and radiology and to develop a proper surgical center. It also boasts one of the nation's oldest diploma nursing schools, a teaching hospital, and a first-rate trauma center. Today, St. Luke's comprises four hospitals—Quaker Town, Miner's, Bethlehem, and Allentown; a durable medical equipment company; a visiting nurse association; and 45 physicians' practices.

This healthcare network employs more than 6,000 people and is in a constant state of growth: currently, a \$70-million heart and catheterization center is being built at Allentown and a 200-acre hospital (a joint project with GE Healthcare) is under construction at the intersection of routes 33 and 78 in Pennsylvania. Given this strong growth, it's hard to imagine that retaining management at St. Luke's would even be an issue. But, unfortunately, it was.

In late 2003, Bob Zimmel, Senior Vice President of Human Resources at St. Luke's Hospital & Health Network, Robert Weigand, Director of Management Training and Development, and Rochelle Schaller, Assistant Vice President of Human Resources, sat down together to look at the data coming out of the Allentown campus.

According to Weigand, "From 1993 on, we did a good job with behavioral-based interviewing, asking the right kinds of questions, and getting the right people here. At least we thought we were doing a good job. Yet we were still running these high numbers of vacancies in the network. Too many managers were leaving after only 18 months. I decided to go back and see if there was an opportunity for us to gather more data at the hiring stage that might help us. And that's where our discovery of and journey into using the *California Psychological Inventory™* (CPI™ 434) instrument begins."

Working with Bonnie Hagemann, a CPP consultant, St. Luke's learned that its 41 percent vacancy rate was in line with management turnover rates in all sectors, not just healthcare. Undeterred by this finding and unwilling to settle for the norm, Weigand, Zimmel, and Schaller set out to find an assessment tool that would help them get a better picture of candidates and ultimately make a better fit for the company. They turned to CPP. Explains Weigand, "Our long-term work as an organization with the *Myers-Briggs Type Indicator®* assessment and our widespread success with that tool made considering another CPP instrument a no-brainer. It's kind of like buying a car you really like, especially if you have had it for years—you'll most likely go back to that same brand."

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“We are clearly on this journey to embed the (CPI™ 434) instrument into the culture of our organization. We think many have begun to embrace it.”

— Robert Weigand, Director of Management Training and Development, St. Luke's Hospital & Health Network

The 50-year CPI™ 434 Heritage

The CPI 434 instrument provides a complex, yet highly accurate, portrait of an individual's professional and personal styles. Created in the 1950s by Harrison Gough, PhD, this assessment was the founding product of Consulting Psychologists Press (now CPP, Inc.). For more than 50 years, coaches, counselors, and human resource professionals have trusted this powerful tool to help them create efficient and productive organizations, promote teamwork, build leadership competencies, and find and develop employees who are destined for success. The 434-item version of the instrument provides unmatched validity and reliability as a dynamic and objective measure of personality and behavior. It identifies traits in 20 different areas and compares the person taking the assessment to a representative sample of the U.S. population.

According to Weigand, “We stayed with the behavioral-based interviewing and didn't change *anything* in the whole hiring process *except* implementing the use of the CPI 434 tool.” St. Luke's asks the top two or three candidates for a job to take the CPI 434 instrument through SkillsOne.com, CPP's online assessment delivery site. When the data come in, Weigand works with the recruiter or hiring manager to communicate the results and compare the finalists.

St. Luke's began administering the CPI 434 assessment in the fall of 2004. Says Weigand, “In looking at the data over the last few years, I discovered some interesting results. I knew when I started that I wanted to come up with some longitudinal data collection on the CPI instrument. And, looking at the literature, no one had done this before. I wanted to see the return on investment (ROI), so I starting tracking the data on all the candidates taking the assessment. I did this for two years.”

All the managers in the St. Luke's network were educated by Weigand about the assessment tool, what it is—and is not—meant to do, and how the data are incorporated into the hiring process. Explains Weigand, “It is important to note that the CPI 434 data are not and should not be the sole determinant in the hiring process. Obtaining CPI 434 results became an additional piece of the process put in place to more effectively measure the true leadership skill sets of a potential new manager.”

Retention Rates Improve—Dramatically

Retention rates have improved significantly since the CPI 434 tool became part of the St. Luke's managerial hiring process. Says Weigand, “In just two years, we brought our 41 percent vacancy rate down to 10 percent. This means we now have a retention rate with our managers of 90 percent. When you look at the data on that, it's pretty phenomenal.”

He continues, “The CPI 434 instrument has shown a remarkable ability to assess people. And while at first it was a little hard to get our people to understand the benefits of this, we never force-fed them the instrument—we positioned it as an additional source of data that could provide good insight into an individual they might end up hiring.” In fact, Weigand was so convinced of the benefits of the CPI 434 instrument that he also introduced the CPI 260® assessment (so-named for its 260 items) to the organization as an abridged alternative to the CPI 434 tool. One of the presidents within the hospital network prefers to use the CPI 260 assessment but sees the same outcome benefits as with the full assessment.

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Analyzing the Results

To help him calculate the ROI of St. Luke's' use of the CPI 434 instrument, Weigand turned to CPP consultant Hagemann. Looking at managerial salaries across the St. Luke's network, Weigand and Hagemann determined that the mean annual salary was around \$75,000 for managers (defined as supervisors to C-level executives) and that the cost to replace a manager ranged from 1.5 to 4 times the manager's annual salary.

To analyze the retention numbers, they opted for a conservative estimate of replacement cost—1.5 times salary. Based on that analysis, St. Luke's is saving more than \$623,000 a year—"even after you cost out our current 10 percent attrition rate," explains Weigand.

According to Weigand, the "return on investment is compelling at more than 3,100 percent. That ROI just jumps out at us. I mean, you can't get that anywhere, on anything!"

St. Luke's emphasizes that the CPI 434 instrument is not a screen or the sole determinant but believes it is one of many important pieces of data hiring managers should review. According to Weigand, "It has proved remarkably accurate when you look at the hires we've made using the instrument as part of the hiring process. The managers who were hired against the data have either left the organization or moved into other non-managerial positions. This instrument is really on target."

Interpreting Results— Before Hiring and After Hiring as a Leadership Development Tool

CPI 434 results are available through three different reports that provide a snapshot of the individual's results, highlighting the various dimensions of the instrument and where the candidate falls in relation to those dimensions. The results identify CPI type and analyze scores on 20 Folk Scales and seven (7) Special Purpose Scales, including Creative Temperament, Managerial Potential, Work Orientation, Leadership Potential, Amicability, Tough-Mindedness, and Law Enforcement Orientation.

The interaction of all the different scores must be taken into account in a hiring situation. Weigand provides an example: "If we had someone who scored high on Dominance and low on Empathy, Flexibility, and Tough-Mindedness, for instance, that would be a difficult hire for us because of our particular environment. What these scores tell us is that this person is very competitive, very controlling, very heavy-handed without a lot of empathy. And since we don't make widgets but deal with human beings, we need a good score on the empathic side."

The CPI 434 assessment also comes with a built-in "validity indicator" that helps assess whether people are answering truthfully or simply answering the way they believe you want them to answer to secure employment.

Says Weigand, "In the two years I have been using the CPI 434 assessment, and in talking to Robert Devine (an expert on the CPI instruments and author of the *CPI 260® Client Feedback Report Guide for Interpretation*) about how to best interpret the results, I have started to get a strong sense of how really powerful this tool is and the impact it can have." He believes it

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is important to synthesize all the information and provide a complete story on a particular candidate, not just a couple of data points.

St. Luke's has been so impressed with the results so far that it is using the CPI 434 instrument for all potential hires at the manager level. In 2006, St. Luke's hired 22 managers using this tool and others. From the very beginning, Weigand says, the vision has been to make the CPI 434 instrument a part of the network's professional development program.

"We are a best-practices model in leadership development and organizational change. And we're also applying to become a Malcolm Baldrige National Quality Award Winner in leadership development and growth," adds Weigand, in reiterating St. Luke's' commitment to this area of leadership.

In addition to using the CPI 434 assessment as part of the hiring process, St. Luke's is also using the results as the basis for an employee development plan for new hires. Weigand uses the results to work with the new hires for the first six months—helping them see areas of strength and areas for improvements as managers.

Explains Weigand, "We use the CPI 434 assessment to help hire and develop employees. We are clearly on this journey to embed the instrument into the culture of our organization—we gave all the managers a basic overview of what we want to institute here. We think many have begun to embrace it. One hiring manager we're working with is determined to find a candidate that gets a favorable score, despite already turning down eight other candidates. He knows how accurate the assessment is and seems to think it is worth waiting to get a good score and good candidate."

Weigand credits CPP's Hagemann with coining a phrase that best summarizes the CPI 434 assessment: "the under-the-hood look at the person's character and leadership traits." Those qualities are clearly important to St. Luke's.