

# Estimate of the Situation

*Critical Information for Critical Times, Edition of Wednesday, August 6, 2014*



## Managing in the Era of the New Normal: Part IV

The traditional management process comprises the following sequential functions:

1. Planning
2. Organizing
3. Directing
4. Controlling

Each function flows logically into the next. The management process is also called the management cycle because each function is repeated in an ordered sequence.

In last week's issue we discussed the directing function. This week's topic is the controlling function.

Controlling is defined as taking corrective management action to bring critical outcome metrics back to plan when variances are detected.

Controlling requires:

- **Comparing actual performance against planned performance:** Performance metrics should be in place for each of the following critical outcome areas.
  - Costs (both labor and supply costs)
  - Quality (both clinical and service quality)
  - Physician Satisfaction (not necessarily the same as clinical quality)
  - Patient Satisfaction (not necessarily the same as service quality)
  - Community Image

As has been famously said, *if you aren't measuring it, you can't manage it.*

- **Monitoring Performance:** Not only must performance be measured, the measurement must be monitored frequently. Managers should routinely receive systematic feedback on metrics comparing actual vs. planned performance at least monthly and preferably each pay period. If the interval between performance and monitoring is too long, timely management action cannot be taken.
- **Variance Cause Identification and Resolution:** This is the most critical and most often neglected step in the control process. In some cases, it will require drilling down into operational detail to identify variance causes. Variance resolution may require coordinated action across departments. In current operating conditions, with utilization and revenue patterns unstable and in flux, it may be necessary to completely recast budgetary assumptions and performance metrics.

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