Published on imagingbiz.com
May 14, 2012

THE ERROR IN MEASURING SUCCESS BY ACTION

BY: MARK F. WEISS, J.D

In an organization, we tend to be judged for what we decide to do, not for what we decide not to do.

For example, consider the issue of responding to an RFP. If you respond and your organization is successful, you'll tout your genius and others will toast to it. Yet it's very difficult to tout your genius in not responding: We humans tend to place tremendous importance on what's observable and to ignore that which cannot be seen or experienced. Accordingly, your supposedly rational colleagues will neither pat you on the back nor buy you a glass of bubbly for deciding to do nothing.

So, we have what I call the yardstick problem: If there is a decision that results in an observable event, it can be measured. If there is no observable event, then the yardstick heuristic is useless.

But the truth is that success is just as dependent upon what you pass up on—on what you decided not to do. In this sense, sayings such as "what gets measured matters" are only partly true—a lot of what matters can't be measured at all, or can be measured only years down the road.

So goes the story of the proud new father who calls his economist friend to inform him of the birth of his first child, to which the economist responds that he is sorry to have learned that his friend's family's per capita income has suffered a one third loss.

This disconnect between what is truly important and what is easily measured and therefore incentivized, has a significant impact on medical group management and, even more so, on hospital management, where success is measured and rewards are dispensed annually pursuant to the yardstick rule.

Consider this in terms of a hospital administrator's decision to move ahead with the formation of an ACO. Many other hospital executives at other facilities are pushing ahead with their ACOs. Sure, the CEO remembers the failures of the PHO movement in the 1980s, but feels that unless she makes the decision to forge ahead, she will be viewed as less than decisive.

Yes, it might cost millions to get an ACO off the ground, but if it fails, she will point to those other hospital CEOs and say that they couldn't all have been wrong. It was the right thing to do, it was the market that changed. Or she will argue that she cannot be blamed because forming an ACO was consistent with "best practices." Or, even more probably, she will already have been richly rewarded before the ACO tanked, and now be long gone.

There are at least two important lessons here. The first is that the leaders of the organizations with which you deal will sometimes make ridiculously stupid decisions because they are consistent with the way they are evaluated and rewarded. The second is that your group must avoid the tendency to fall back upon the yardstick rule in measuring your own leaders' success or failure. Instead, you must develop a compensation plan consistent with the larger, long term success of your group

---

Mark F. Weiss is an attorney who specializes in the business and legal issues affecting anesthesia and other physician groups. He holds an appointment as clinical assistant professor of anesthesiology at USC's Keck School of Medicine and practices with the Advisory Law Group, a firm with offices in Los Angeles, Santa Barbara and Dallas. He can be reached by email at markweiss@advisorylawgroup.com and by phone at 800-488-8014.