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Leadership - A Case Study

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LEADERSHIP A CASE STUDY

Mr. Lexington is the Administrator of Lee Memorial Hospital, a small community hospital of 150 beds. Prior to coming to Lee, Lexington had served for several years as Assistant Administrator at Tyler City Hospital, approximately 30 miles away. He was appointed to his present position within the last year.

The hospital is located in Leesville, a small town of approximately 6,000 population in the county seat of Lee County. The area served by the hospital includes the town of Leesville, the farming community surrounding the town, and Kirksville, a fast growing community approximately ten miles away. Ford Motor Company has located one of its assembly plants in Kirksville. Since the opening of this plant the population of the town has grown rapidly and is at a current level of 10,000 people.

The physical plant of the hospital is in poor condition. The main building was constructed approximately 40 years ago and there has been no major renovation since that time. The medical staff of the hospital has declined in numbers and increased in average age over the past ten years. Census has fallen to an average of 40%. A number of people in Kirksville and Leesville now go to Tyler City Hospital for accute medical treatment.

Mr. Lexington's predecessor was fired because he could not resolve the problems of the hospital. When Lexington took over he was given a mandate by the Board to resolve the financial problem in the next twelve months.

There are five members on the Board of Trustees of the hospital. Mr. Fine is the Chairman of the Board and also President of the local bank.

Mrs. Farnsworth is the wife of Dr. Farnsworth who is Chief of the Medical staff. Mrs. Wentworth is the President of the Women's Auxiliary. Mr. Nolan is a retired employee of the hospital, and Mr. Pinkerton is the Mayor of Leesville.

Lexington soon realized that the problem was more than balancing the budget, it was a case of survival. Not just survival, but rebirth was needed. In order to provide quality medical care to a growing community, Lexington was convinced that it would be necessary to build a new hospital facility and attract younger doctors to the medical staff. It was not time, however to share these thoughts with the Board or anyone else. He must first make some progress in resolving the immediate financial needs of the hospital.

His first step in this regard was to negotiate a prepaid medical plan with Ford Motor Company for the employees at the assembly plant. One of the conditions of the plan required the hospital to hire a full time physician for

the emergency room. Dr. Farnsworth, the chief of the medical staff was opposed to the plan. When the plan was presented to the Board for approval Mrs. Farnsworth indicated her strong disapproval. The plan was adopted by a vote of four to one.

Lexington's next step was to secure several proposals from outside contract management firms for the management of the housekeeping and dietary departments of the hospital. The proposals indicated substantial savings for the hospital. When Nolan heard of this activity he called Lexington and told him that he was opposed to outside management firms and had a concern for the welfare of the hospital employees in these departments. He reminded Lexington that he was the Chairman of the Compensation Committee and that if Lexington pushed this through the Board, it could affect his future compensation. Lexington tried to assure Nolan that management firms would be working with existing employees of the hospital and that there was no reason for concern. Nolan was not convinced. Lexington remained firm in his position that this move was best for the hospital and told Nolan that the proposals would be presented for approval at the next Board meeting.

When the proposals were presented to the Board they were passed by a vote of three to two. Nolan and Farnsworth voted against the proposals.

With these two actions behind him, Lexington was confident that he could balance the budget in the current year.

He decided to share his thoughts for the future with two key staff members, Ken Smith the Controller and Mary Wright the Director of Nursing. He told Ken and Mary of his ideas for a new hospital and the need to attract new and younger doctors to the medical staff. He asked Ken to assist him in developing a financing plan for the new facility and also to make a detailed review of all items of income and expense to determine what additional revenue and what further cost savings might be possible. He asked Mary to continue her efforts in recruiting the professional staff and building morale among the professional and non-professional staff of the hospital. He reminded them that he was sharing this in confidence, and that he had not shared the ideas with the Board, and nothing could be discussed publicly until he had discussed the matter with the Board.

After Ken finished the financing plan Lexington felt it was time to share his ideas with the Board. At the next Board meeting Lexington presented the plan to build a new hospital to be located between Leesville and Kirksville with a capacity of 125 beds. He and Ken presented the financing plan that Ken had developed which showed that the construction costs could be financed through state health facility bonds and that the new hospital could be operated more efficiently with reduced payroll and utility costs. The plan also included a provision for raising \$500,000 from the local community which would be used to fund a portion of the construction costs and for development of an aggressive program for recruitment of doctors. Lexington

asked the Board to give preliminary approval to the project. Nolan and Farnsworth objected to the plan. The Mayor also objected, citing as his major concern the fact that the new hospital would not be located in Leesville. Mrs. Wentworth indicated approval and Mr. Fine abstained, explaining that he wanted more time to think about the merits of the plan.

Lexington indicated his disappointment over the Board's action and stated he would continue to work on the plan, consider modifications, and it was his hope that in the near future he would be able to present a plan that would be acceptable to the Board.

The next day he called a staff meeting for the purpose of explaining the plan presented to the Board and informed the staff of the current status of the plan. He requested suggestions from the staff and also announced the appointment of a staff planning committee to work with him in reviewing the proposed plan and considering modifications thereto.

The planning committee met for several months and developed an alternate plan which involved remodeling the existing facility, adding a new surgical and nursery wing, and converting some existing patient rooms into an alcoholic rehabilitation unit. Although there existed some major drawbacks to the alternate plan (location and reduced personnel efficiency) Lexington knew that it would satisfy the objections of the Major and thereby have a better chance of approval. Lexington also needed the support of Mr. Fine.

In the last review of the hospital by state authorities, the state authorities had been extremely critical of the hospital's facilities and indicated that future licensing and accreditation may be revoked unless some affirmative steps were taken. The next review was scheduled for 1979. Lexington contacted the state offices and requested an earlier review. A few days later he got a letter from the state indicating that the review would be conducted within the next 60 days. With the letter in hand he called upon Mr. Fine and reviewed with him the alternate plan. Mr. Fine indicated that he would approve the plan. Lexington also told Fine that the hospital would need interim bank financing during the construction period. Since there was a conflict of interest in that Fine was the President of the bank and on the Board of the hospital, Lexington stated that the hospital would have to go to another bank for the funds and it would be necessary to transfer the hospital accounts to the other bank as part of securing the interim financing. Mr. Fine said he was disappointed as a bank president, but understood the problem and appreciated Lexington's frank discussion with him on the matter.

Lexington was now ready to present the alternate plan to the Board. At the next meeting the alternate plan was presented and approved by a vote of three to two. Nolan and Farnsworth voted against the plan.

The next day Lexington shared the results with the hospital employees and

held a press conference in his office where he shared with the press the details of the alternate plan and explained his involvement in bringing about this result. The next day the local paper carried the story with the following headline: LEXINGTON'S PLAN FOR HOSPITAL RENOVATION APPROVED BY BOARD. The article contained extensive quotations from Lexington.

The contracts for remodeling and financing were executed within thirty days. Construction was commenced within 90 days.

The next phase of the project involved the fund raising effort from the local community, Lexington knew that Mr. Fine was the ideal person to head up this phase of the project and he also knew that Mr. Fine would be able to make a substantial contribution from his own resources. In reviewing this opportunity with Fine, Lexington was surprised to learn that Fine had lost his enthusiasm for the project. He refused to head up the fund raising drive, and made it clear to Lexington that he did not intend to make any contributions to the hospital. Fine also told Lexington that he had a growing concern about Lexington's management style and that from now on all decisions regarding employment, and expenditures over \$500 should be reviewed with Fine and approved by him as Chairman of the Board.

Lexington left the meeting disappointed and confused. The fund raising efforts were essential to the success of the entire project. Fine was the key to the success of this effort. It was obvious that Fine no longer had

confidence in Lexington's leadership. After a few days of reflection Lexington met again with Fine and at this meeting Lexington offered to resign as Administrator. He explained that he had been working closely with Ken Smith over the past year and that he was sure that Ken could handle the job. There was one condition to the resignation, namely that Fine would assume responsibility for the fund raising campaign. Fine agreed. At the next board meeting Lexington's resignation was accepted and Ken Smith was appointed acting administrator.

Approximately four months later Lexington read with interest an article in the local paper announcing the opening of the remodeled facility at Leesville and the successful fund raising efforts with gifts totaling in excess of \$500,000, including a \$150,000 gift from Fine.

How did Lexington demonstrate characteristics of a good leader or a poor leader.

SUMMARY OF CASE STUDY

LEADERSHIP

QUALITIES OF LEADERSHIP:

I. He had vision - a dream:

Marion E. Wade had a dream of a Christian witness in the marketplace. Ken Hansen had a dream of developing a vehicle that would demonstrate this Christian witness and also maximize the skills of committed people working in a service business. Ken Wessner had a dream to use this vehicle in the health care field where there was an opportunity for compounding the growth rate at 25%+.

You and I have our opportunities today because of the vision of these men. Peter Drucker calls this "upward contribution. It is not vision alone, but it involves the beckoning to others to direct their attention toward this ideal."

II. He established confidence and had self confidence:

Playing the ball from where it is, i.e. balancing the budget and growing profitably. A ServiceMaster goal, could we honor God if we did not grow profitably?

III. He was not afraid to make unpopular decisions:

Abe Lincoln's comment - "You can please some of the people all of the time, all of the people some of the time, but not all of the people all of the time." Prepaid medical plan, outside contract services.

IV. He stood for integrity:

He was not influenced by offer of change in compensation by Nolan.

V. He could not do it alone and understood the need to involve others:

The growth of Lee Memorial Hospital involved more than a new facility. It was a growing opportunity for people and the development of people. Why is earnings growth essential in ServiceMaster?

VI. He spoke the truth in love - he was direct in his dealings with people:

His review of the conflict of interest issue with Mr. Fine.

VII. He knew how to use power:

Power and authority - is it bad? It is a biblical principle that one who is in authority and uses it well, gains more authority.

Luke 19:11-27.

Quotes from Solzhenitsyn in his book Gulag Archeipelago - "To the human being who has faith in some force that holds dominion over

us, and is therefore conscious of his own limitations, power is not necessarily fatal. To those, however, who are unaware of any higher sphere, it is deadly poison." For them there is no antidote. II Samuel 23:3 applies to ServiceMaster - To Honor God.

VIII. He did not know how to share praise:

Example - press release. We commend in public, condemn in private.

IX. He was committed to serve:

To serve not in a position, but to serve the people in that community by providing quality health care.

X. He recognized that he was not indispensable.

XI. He knew how to compromise:

Half a loaf is better than no loaf - half a baby is not better than a full baby.

XII. He was accountable for his actions and his errors:

He took responsibility and acted.

XIII. He was able to identify what was necessary to do the job right:

Including all elements, i.e. fund raising. He had developed a successor.

CONCLUDE with the story of Jesus and His disciples, Peter and John, where Jesus requested them to pick up rocks and carry them. He then turned the rocks into bread. The next time Jesus asked them to pick up rocks Peter picked up a bigger rock than anyone else - then Jesus asked them to throw the rocks into the river and also asked them the question "why have you carried the rocks?"