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SMART LEADERS

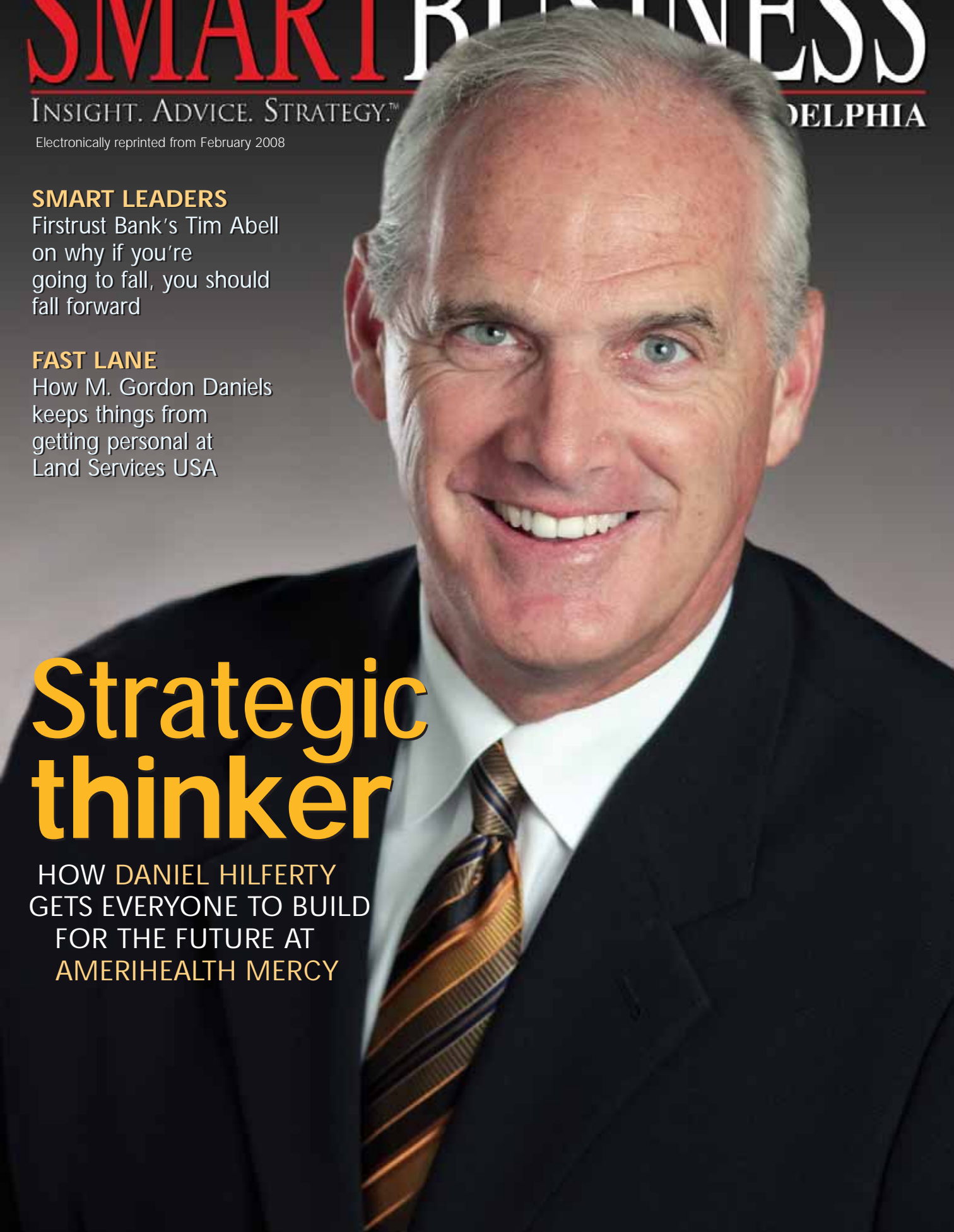
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HOW DANIEL HILFERTY GETS EVERYONE TO BUILD FOR THE FUTURE AT AMERIHEALTH MERCY





Strategicthinker

How **Daniel Hilferty** gets everyone to build for the future at **AmeriHealth Mercy**

BY ERIK CASSANO

Eleven years ago, when Daniel J. Hilferty arrived at the AmeriHealth Mercy Family of Cos., the organization had carved a niche as a small, regional provider of Medicaid and Medicare managed health plans. ❤️ It would have been fine to stay that way, says Hilferty, the president and CEO, but he soon realized the company could do much more if he could expand its reach. ❤️ But it wasn't as simple as opening a few more offices. Hilferty wanted to change the entire scope of AmeriHealth Mercy from a regional company that focused almost entirely on a southeast Pennsylvania client base to a national company that served clients in many markets around the country. ❤️ "You have to start with our mission as a managed care organization to serve our population in Medicaid and some Medicare," Hilferty says. "We realized we were so successful at it on a regional basis that we could go after opportunities in various states. We did it state by state, and as we grew, we developed a strategy based on what we needed as far as personnel, operational infrastructure, and we would build that way."

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Daniel Hilferty,
president and CEO,
AmeriHealth Mercy Family of Cos.

From those initial steps came a strategic plan that still serves as the guiding principles as AmeriHealth Mercy grows. But the strategic plan was just a starting point. From there, Hilferty and his management team had to get everyone in the company — which now employs more than 2,000 associates — to buy in to the idea.

The results have been impressive. AmeriHealth Mercy now has \$2.5 billion in annual revenue, up from \$275 million when Hilferty took over.

Here are the lessons Hilferty learned during that growth process and how they continue to influence how he leads the company and communicates with his employees.

A team effort

Growth needs to occur along the lines of a template. In most cases, Hilferty says that template is going to be some form of a strategic plan that outlines where you want to take the company, who is going to be involved and what resources you have to get there.

The more people who can be involved in creating that road map for growth, the better.

Companies that start down the path toward a major organizational shift without a detailed road map are far more likely to set themselves back with mistakes.

“You can’t bite off more than you can chew,” Hilferty says. “Growth and scaling the organization must be done as part of an overall strategic plan that has a strong financial underpinning. That’s No. 1.”

He says the best plans start with input from across your organization. Hilferty meets frequently with his senior management board, and it was through those meetings that his leadership began hammering out a plan it could present to the rest of the company.

Your senior leadership is a good place to start forming a brain trust because those people will likely bring different backgrounds and areas of expertise to the table.

“It goes back to my view of executive leadership,” Hilferty says. “I have a certain skill set and others in the management team have other skills, be they the CFO, the person in charge of medical management or the person in charge of operations. I believe that groupthink is much better than individual leader-think.”

Once the executive leadership team had drawn up the general outline for a strategic plan to expand AmeriHealth Mercy’s borders, Hilferty and his management staff

started getting out among the associates, pitching the ideas and gathering feedback.

“We spent a lot of time talking, and it was around that table of discussion that we were able to develop a strategic plan,” he says. “Then we agreed that we needed to go to the next level of management and include them in the discussion. It was through everybody’s skill sets and perspectives on the industry that we were able to develop a plan going forward.”

As the CEO, you have the advantage of high visibility within the company. Hilferty says that when considering a big change that will affect the entire company, you should use your perch to the benefit of both your employees and the company itself.

People want to talk to the person in charge. They want to know what is going on and make their opinions heard. By walking the halls of your company and having your senior managers do the same, you won’t have to go far to get new ideas and feedback.

“I believe in managing by walking around,” Hilferty says. “When you walk around as the CEO, you get an opportunity to talk to a lot of people and engage them in discussions. That’s the informal approach I take. I seek out people in the lunchroom and in the hallways. I’m available at all of our receptions. Folks around the organization e-mail me on a regular basis, so there is a dialogue there.”

It’s perhaps the most important communication-related lesson Hilferty says he has learned during AmeriHealth’s expansion: Communication needs to be a two-way street between management and employees.

“Good communication goes both ways,” he says. “It’s not only leaders talking to associates. It’s also associates talking and leaders listening. There are many operational issues that leaders aren’t focused on that could cause us problems, so there has to be that back-and-forth dialogue with the people who deal with those issues.”

When you’re trying to refocus your organization on a new strategy, Hilferty says you need to be able to isolate several basic principles and values from that strategy that every person in the company can latch onto, and then start communicating them repeatedly and consistently.

“You have to remember a couple of things about communication,” he says. “One, whatever your vehicles are, they need to be consistent and have a regular message. You can’t communicate consistently for two months and then skip out. The second thing is that you have to keep it simple.

“In our case, our mission is to serve those who are most in need and to be recognized as the best Medicaid managed care company in the country. Our strategy is built on that mission and vision. If people see communication within that context, it’s clear, concise and consistent.”

Right people, right places

The bus analogy from the highly regarded Jim Collins book “Good to Great” is used so often that it has become a business cliché.

The analogy likens growing a business to seating people on a bus. You need to put the right people in the right seats on the bus, then decide where you are going to drive the bus. In other words, you need to have the right people in the right places in your company before you can grow properly.

Though some might think the bus analogy has become overused, Hilferty says the concept behind it is true. He says placing people in positions where they will best be able to use their talents and skills is one of the reasons why AmeriHealth Mercy’s expansion has been successful.

Leveraging talent and skill sets properly has been a priority for Hilferty since the early days of AmeriHealth Mercy’s go-forward plan.

“It starts with the core of our executive leadership team,” he says. “If you start with the 10 or so people on that team, the executive vice president, the chief financial officer, the chief counsel, we’ve been together for a number of years. So it was me as the CEO looking at people and saying, ‘This is how we complement each other,’ then going out and realizing where we have gaps, then recruiting people who fill those gaps.”

He says a mistake some leaders make is thinking that they either have the ability or are obligated to do everything required to make a new strategy a success. Especially

as your company grows, Hilferty says, that’s an unrealistic expectation to place upon yourself.

You should know what your strengths are, emphasize those strengths in your workload, then hire or appoint people to deal with the areas in which you lack adequate skills or knowledge.

“I look at myself as a leader, my background is in politics and government affairs,” Hilferty says. “Someone else might come in as a physician with a medical man-



agement perspective. Others might come in with a customer service point of view. No one leader really captures all the perspectives and skills you need to make sound business decisions in a complicated environment.”

If you don’t put the right people in the right places, you won’t bring new perspectives to the table, and you will likely hinder your company’s ability to grow.

“If you don’t bring together people from different backgrounds, the risk is that you operate with blinders on,” Hilferty says. “You don’t get any fresh ideas or different experience from outside the organization. You do the same things over and over again without trying to develop new approaches, new and creative ways to manage the business.”

Follow the leader

A common leadership philosophy states that you should never have your employees do something you wouldn’t do yourself.

It’s true in many cases, Hilferty says, but it doesn’t apply to all situations.

In some cases, you want people who can do things you can’t do, or won’t do.

Along with his belief that a good organization needs people with many different areas of expertise, Hilferty also believes that a good organization has people who can lead in different ways.

Not every leader is outwardly charismatic or a captivating public speaker.

“It all goes back to the fact that we all have certain gifts,” he says. “There are some members of the management team

who are far more comfortable with (public speaking), and there are others who are more effective in other ways. We have provided coaching, and we’ve asked people to be comfortable in their own skin, so we don’t want anyone to behave in a way that doesn’t come naturally.”

A person with a quieter personality may

be less comfortable in speaking to a crowd but might have an ability to communicate with the written word in a more effective manner than the polished orators in your company.

As AmeriHealth Mercy has grown, Hilferty says he has found that if you play to people’s natural abilities as communicators, you will spread messages further and more effectively than if you just rely on the few magnetic personalities you might have.

“What I’ve found is that if people are allowed to develop their gifts and skill sets, they’re more enthusiastic about their work and more successful in achieving their goals,” he says. “It goes back to the way I manage and encourage others to manage.”

“You don’t need to micromanage. You need to let others manage from the strategic plan and let them use their areas of expertise and creativity to help make the company successful.” <<

HOW TO REACH: AmeriHealth Mercy Family of Cos., www.amerihalthmercy.com

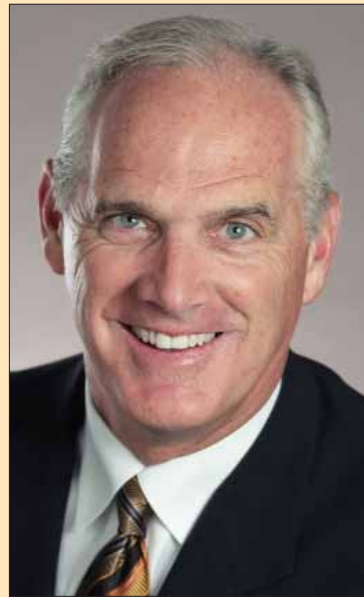
The Hilferty file

Born: Upper Darby, Pa.

Education: B.S., accounting, St. Joseph's University; master's degree, public administration, American University, Washington, D.C.

What is the best business lesson you've learned?

Teamwork is the most important ingredient in any successful business operation. It's something that has to go down through the entire organization. If you work together as a team, you'll be successful.



What traits or skills are essential for a business leader?

You must operate with integrity. Whether it's good news or bad news, don't shy away from it. If you put everything on the table as the manager of the organization, people will learn to trust you.

You must realize it's about building a team and being open with that team in a way that forms a trusting bond. That is the most important thing to me.

What are several universal truths you've learned about leading a business?

Nothing is constant. Change is just a way of life. If you stand pat on your past successes, you will not be successful for long.

What is your definition of success?

I am successful if I can carry out the missions given to me by the board of directors and the company's owners. For me, that means I have to continue to create an exciting vision for our future and make sure we continue to meet all of our strategic and financial goals.