UU 00:00:14 Hello. Welcome to the Better Outcome Show, where we explore the possibilities of a new health care. Each episode, we bring you a conversation with leaders across the healthcare industry, exploring topics ranging from new treatment techniques and interventions to novel service delivery methods and business models. And now your host, Raffi Salazar from Rehab You Practice Solutions. A leader in patient engagement and retention strategy. Let's explore the possibilities of a new health care.

Rafael E. Salazar II 00:00:47 Well, hello again. Welcome to another episode of the Better Outcomes Show. I'm your host, Raffi Salazar. with Rehab Your Practice Solutions, and if you want to differentiate your healthcare business from the competition, and you want to drive business in the form of qualified leads into your sales pipeline. Check out the Positioning Alignment workshop in that 90 minute workshop. Me and my team will help you set the foundation for a solid business development strategy for your health care business, starting with positioning.

Rafael E. Salazar II 00:01:22 It's called the Health Care Positioning Alignment Workshop, where we basically help you craft and answer the question value to whom so that you can drive qualified leads into your sales pipeline. If you want to learn more about that, head on over to positioning.RehabPracticeSolution.Com that's positioning.Rehabpracticesolutions.com. Alrighty. This week we are sitting down with Mike Murphy. He's the managing partner over at Sunstone Management Advisors. And this is an interesting conversation. So Mike has 30 years of experience as a C level executive specializing specifically in health care and insurance. He grew ahealth insurance company to right now, like 25 million in EBITDA and half a billion in revenue given, give or take or something like that. And now I think he said it's exceeding around $1 billion in top line revenue. So he's definitely had his hands in the scaling and growth of some very large organizations. But what Mike and I talk about specifically on this podcast and this episode, we talk a little bit about turnarounds.

Rafael E. Salazar II 00:02:33 So he part of what his career involved or part of his career experience is going into organizations that were failing, that they knew that they were going to literally, in some cases, putting chains on the doors, and turning those organizations around to be profitable and growing entities. So we talked a little bit about kind of like, what's your approach when you go in and a business is flailing in its death throes, like, how do you turn that thing around? And then we talk about his A plus B equals C formula and how he uses that to kind of put the pieces in place for scaling and growing a business. We talked about transforming businesses, not just the turnaround piece, but how do you take a stagnant business and get it growing again. And then we also talked about, okay, let's say you're wanting to start a business. You don't know where to start. You're looking at who to hire and what steps to take. How do you begin to put the foundational pieces in place as you begin growing this organization, to set it up for

success in the long term? Now, obviously, you know, not everybody is going to scale a business into billions of dollars a year.

Rafael E. Salazar II 00:03:36 But if you put the pieces in place ahead of time to operate as a business that is large enough to handle those kinds of operation sat those scales, you'll find that a lot of the problems go away, or at least they become handled easier. You know, when I first started, when I bought the practice that I run. it was just me doing everything. There was no, like, leadership team. It was Rafi making the decisions. And what I realized very quickly was that I was the bottleneck for a lot of the issues, a lot of the processes that needed to take place in order to speed up cash flow in order to get, marketing stuff done, in order to grow the business. when I bought the business, we were doing, I think the, the clinic was doing like 125 visits a month. Now, we've grown to the point we're doing. I think I've talked about it before. 550 ish, visits a month. and right now I'm at the point where a lot of those day to day decisions are not made by me anymore.

Rafael E. Salazar II 00:04:38 In fact, I check in with my team once a week on our KPI dashboard and say, okay, what are the metrics that we were trying to hit this week. What went right? What went wrong, what do we need to change? What do you need from me as your Executive. and that was a piece of advice that I'd gotten from a business coach back in 2020. Those basically like, listen, you can't do everything that this business needs, especially if you're going to grow in scale. Now, obviously, we haven't grown in scaled into millions and billions in revenue. We're you know, we're going to crack half a million this year or something like that. But the point is that the pieces are in place to operate so that a lot of those small problems go away, or at least they get handled by team members whose job is to handle it and who are excited about handling that type of work. So, that's super exciting. And then the other piece, is that what got you to what you're where you're at now? Is it going to get you to where you're going? So obviously, if the goal was to expand and to grow more, then there would be another layer of changes that need to go in to make that happen.

Rafael E. Salazar II 00:05:40 And Mike talks a lot about the metrics that he looks at, the conversations that he has with the leadership team around processes that need to take place or don't need to take place. Putting the right people on the bus. And he did talk about this like sometimes, the people, the team members that you had, that got you to a certain level just aren't the right team members to take you to the next level. And those are difficult decisions and conversations to have, but you need to have them. If your goal is to grow and scale into the, in his case, millions and billions of dollars. So, it was interesting. I love sitting down with people like that who have just years of, of experience operating a very high level. So hopefully you glean some practical insights and practical tips that you can take and apply. Whether you're running a healthcare technology startup, like a lot of my clients are, or you're running a healthcare practice or a healthcare, health system or something like that, or even a department within a health system.

Rafael E. Salazar II 00:06:42 There's something in this. I'm sure that if you listen carefully enough, and with an open mind, you'll be able to take some of these practical insights and apply them to your job, your role, your position in a way that's really going to improve the operation. So without further ado, here is Mike Murphy from Sunstone Management, talking about everything from turning around failing businesses to setting up health care businesses for success, success and growth in the long run. Well, hey, Mike, welcome to the show. How are you?

Mike Murphy 00:07:13 I'm great. Rafi. Thanks for having me. I'm excited to be here.

Rafael E. Salazar II 00:07:16 Yeah, I'm excited about diving into the whole C-suite and business transformation in in healthcare. But before we dive into that topic in too much depth, why don't you tell us a little bit about yourself, your background, and kind of what got you to what you're doing now with with Sunstone Management?

Mike Murphy 00:07:32 Sure. So, 35 plus years in the healthcare and insurance space, I started my journey inside the big company.

Mike Murphy 00:07:40 It was, my alma mater. I like to say it spawned me. I spent the better part of 15 years.. So it was the classic kind of corporate ladder thing. I started as a entry level right out of college underwriter and got some good advice to constantly do lots of different things, and by the time I finished my career there, I was running health plans, specifically running all of, New England, running there, basically in the New England franchise. but on that journey, there's there's a couple of things I realize about myself that, number one, that having a bigger job, inside the larger organization for me spiritually was going to be having a better job. And then the second thing is, I'm not a house cat, you know, I want to eat what I kill. I want to be, you know, a little more entrepreneurial. And so I started my second phase of my journey, went, you know, an entrepreneurial route, got an equity stake in a small company, really small, smaller than accounts I had at Cigna.

Mike Murphy 00:08:40 And we sold our business to United Healthcare. And basically I built United Health Care's dental business, from my chair at this company and then did a series of what I would ca"ll "intrepreneurial", which is, build, fix startup turnaround inside large organizations. And, you know, that was a lot of fun. You know, be very wary of the organization, say, the desire to see change because most of them, you know, it's the ultimate definition of madness. They want, different results, but not doing anything different to get there. And then the back half of my career was more small and mid-sized. Truly entrepreneurial business C-suite. and I had, some of my best success there in terms of notable achievements. I built an insurance company from the ground up, to a little under a half $1 billion in revenue in about three and a half years and 25 million of EBITDA. And today, that business sits at over a billion. I took three

different companies with some, related ownership, in the payer provider service space, different levels of distress.

Mike Murphy 00:09:43 Put the three together. Brought in a new management team, navigated through Covid refinance debt, grew the EBITDA 40% in the first year and the revenue 20%. So and then prior to that, I executed a turnaround on a deeply troubled insurance company. The overarching theme is I'm not Warren Buffett the stock picker. So if you ever hear me touting this great thing, you should short the stock because the chances are pretty good. I mucked it up right as I was looking the other day. I was like 4 or 5 things that I've gone into that literally were in deep kimchi within the first 90 days. And again, I'm not talking about, hey, the washroom isn't what you promised me. I'm talking like balance sheet problems, chains over the door, you know, that sort of thing. Anyway, as, as I wrapped up my last, C-suite, assignment and was contemplating I was going to do next, I'd had a period where I had my own advisor business. I, had, friends and colleagues said, you know, you're really good at building and fixing things.

Mike Murphy 00:10:42 That's what you love to do, you know? And, so instead of trying to ply our wares in a single place, let's make our mission to help as many companies we can as possible. And, and that's how we reformatted and reformulated Sunstone. merged with, another outfit. Our legacy goes back about 20 to 25 years. and a sunstone is, when I originally had my advisory business, I said to my family named Daddy's Company, and my daughter came up with Sunstone, and it's a I'm a history major. And so still trying to find ways to make the the education worthwhile, sprinkle it obscure historical references every chance I get. And, she said that, a sunstone was a Viking navigation device used by the Norsemen long before there were compasses. And that's how they were able to navigate. They could find the sun in the sky. When it wasn't readily apparent, I thought, well, that's cool, that's what we are.

Mike Murphy 00:11:42 You know, we're going to help our clients find their sun in the sky. So, reformatted, relaunched Sunstone. Our mission is simple. We're going to help companies, all companies in the health care and insurance space, irrespective of size, dramatically improve their enterprise value. And that could be growth strategies for product sales execution, marketing to refining profit streams, figuring out where the margins are, better execution of operations, lowering costs. could be strategy work and plotting and mapping and making sure you're on the right path, or it's fractional leadership where, you know, another set of arms and hands. So, so that's that's the story of Sunstone. That's how we got there. And, I have 9 or 10 great partners are all complementary and skill sets. Obviously, I've been in the C-suite. I'm been heavy. Certainly M&A, growth strategies, FP and a analytics, that sort of thing. I have others that are marketing geniuses and healthcare quality gurus and operations logistics types, so we're all complimentary.

Mike Murphy 00:12:49 And so we come "land, sea and air" when we come to see our clients and help them get their business better. So that's that's the story of me in Sunstone.

Rafael E. Salazar II 00:12:56, You've done a whole lot. I think I kind of want to back up to, to doing some of these turnarounds because I imagine some of that, some of the principles there probably carry over to some of your,consulting and advisory work you do now. So like you get brought in and this company's, like you said, chains on the door or they're getting ready to go, you know, file chapter 11 or something like that. Like what's the first thing you look at to try to begin the turnaround process? Because I'm sure it is. I mean, it's a long road, but I'm sure there's some things that you can look at, you know, on day one, be like, okay, these are the priorities of things that we start, you know, at least. So looking into.

Mike Murphy 00:13:33 Yeah I go right to 30,000ft. And, you know, somebody asked me, you know, once, you know, what's your superpower? What's your skills? And, one of the ones I think is and again, euphemistically, the I think it's the Greek character Cassandra has the gift of sight. She can see into the future. the downside is, part of that gift of sight is that she sees her own death, you know, so kind of a gift. So it's kind of that's kind of where I am, you know, I've got that gift of sight, I think. And it starts with fundamentals, which is, you know, getting under the hood and breaking down the fundamentals of the business. I mean, like real core, which is what you're, you know, what's your what's your value proposition. You know, but more importantly with your proprietary distinction, how are you bigger, faster, better, cheaper than, than the marketplace. and then how big is that marketplace in terms of total addressable market? So and a lot of these companies got in trouble because they didn't they didn't check a simple formula.

Mike Murphy 00:14:30 And the formula, you know, A plus B equals C. A,I think I have a great company with great people, and we're executing the hell out of it. And we're doing everything we can do. And you know, it's we got a great business. B, there's a total addressable market out there with customers that are ready to buy our stuff. Love what we do. We have a competitive advantage. C, I have an amazing company in terms of profitable net revenue growth, employee satisfaction, all the KPIs. And invariably what happens is, you know, A plus B doesn't equal C. And that's where you get into the issues. So sometimes frankly on the fundamentals is you, you open up the hood and you say you got a bad business, right? You just the reason you failed is because you deserve to fail. You know, your market is changing. You're not you're, selling buggy whips in the car, you know, and cars are going off the shelves. And some of it is, is just that fundamental.

Mike Murphy 00:15:23 So if you start with it, you have those things basic in place. Right? You do have a product that the market wants the total addressable market. It's not totally red ocean. You have an opportunity to acquire that. Then you get into the execution side of it. It's okay. Where is it falling apart? Is it falling

apart on growth strategies? Is it falling apart on execution and margins and quality product? Is it falling apart you know, on targeting and outreach. And so from there you hang your various interventions to address the root cause.

Rafael E. Salazar II 00:15:54 All righty. So after you take the 30,000 foot view and you kind of look at that, A plus B equals C piece of things. are there specific areas that you like to dive in and address, particularly when we're talking about like a turnaround situation because, I mean, you've got pieces a lot of times where the money's not there, where it should be, or is it a business development problem? And how do you kind of tease out, is it a front end issue or like a back end efficiency issue?

Mike Murphy 00:16:25 You start to break down kind of root cause.

Mike Murphy 00:16:32 And so, there are 3 or 4 different buckets. Places of inquiry. you know, starting with the A and the B and the C, right. And so, you know, again A, being I have a great company, I was great, I'm executing B, I have a, you know, great opportunity in the marketplace loves me, I have great results. But in there it's kind of loaded. So you could start with, well, first of all, strategically, what does the market actually look like? Where are you positioned? Is it, you know, red ocean, blue ocean? Is it a growth market? Is it a developing nation market is, you know, what is the nature? What's the total addressable market? Who are your customers? How many of them out there? What's the competition look like. So you start with a strategic cleanse. This is an old joke which I love is that nothing kills a bad product faster. Good marketing. Yeah. So if you've got the wrong strategy and you end or have the wrong segment, or have not really done the work and addressing.

Mike Murphy 00:17:33 And truly, what makes you differentiating? Why should somebody buy you? You're starting with you've got a foot in the grave and you know, again, no amount of clever, no amount of IP work or marketing work or sales execution is going to change that. So you start at 30,000ft and really get into the strategy of is this, you know, are your financial results, do they reflect the nature of truly where your product is? And maybe you might be deluding yourself in terms of where things stand. So that's number one. then beyond that, then there's you kind of you know, two other lines of inquiry to go on and the, you know, and the first one is obviously in the revenue stream, the top line. Yeah. if you have this purported competitive advantage and you have this, you know opportunity to outperform the market and there's a viable market. Does that show up in your revenue numbers? Does it show up in your market share? If you're the best and brightest for a segment, do you have a good segment? Do you have a lion's share of the market or certainly on a path to get there? If not, it's okay.

Mike Murphy 00:18:39 We got to get back into said. All right. Well, what's what's driving this? Do we have a sales execution issue? Are we positioning the product wrong or do we have a client retention problem? We have a messaging problem.

our are we have a distribution problem or are we figuring out a ways to get our product to market? So there's a whole realm of things that go with the kind of the revenue top line side. And then the third bucket obviously gets into the kind of the margins, and the operational effectiveness. So, if you stipulate that no, I got a good strategy. The market's right. I've got, reasonably good sales execution marketing. There's always opportunity for improvement there. But you know, I've got the tools and we're doing the job, but, we're just not making the return. And then you get into the operation, the operational efficiency. and some of that ties to the strategy as well, because you have a set of specs, right? Our profile, ideal customer client profile looks like this.

Mike Murphy 00:19:41 This is what they want to buy. Here's the price. They want to buy it. And here's how our operation, you know produces that. And so our sales structure communication is really just connecting the dots. Here's what you want. Here's what we deliver by you know and when you get into that structure inside of an FPA and you do a lot of analytics and you find out what are you really making money at and what are you not making money at, are you manufacturing the product, in a way that not only meets your customer's, desires and goals in terms of whatever the performance of the product is? but also in a manner that makes you money and, that sort of thing. So those are the three streams I jump into kind of right away and then, you know, troubleshoot to figure out where the problem is. And there's a fourth stream, which kind of gets that culture and execution, team retention management process that, that really align cut through all three.

Mike Murphy 00:20:39 Right. How are you in this mess in the first place? And what about your structure and your culture and your organization and your people got you to the point where, you know, you're in this sort of trouble. So those are the things that I think about when we start talking about firefighting and troubleshooting.

Rafael E. Salazar II 00:20:53 Well, and I assume that workstream, like you said, kind of touches all of it. And I imagine if you have like a culture maybe like just weak management is not, you know, maybe a politically correct way to say it. But maybe, that's not going to address a problem with some team members or something and maybe that top end funnel of the revenue side. And then that ends up filtering down into the efficiency side because of that, the lack of addressing the issue in one place kind of crosses over from that A to that B two that C right.

Mike Murphy 00:21:23 Yeah. I think there's a couple of prototype problems cultural problems.

Mike Murphy 00:21:29 And then the honest with the one that I found to be the most prevalent and the most insidious is everybody's happy even though they're not successful. Right. It's that we're all whistling past the graveyard and we're all in, you know, it's us against them and we don't know who them is. And we're all, in it together. but there's a sort of collective groupthink going on and then, you,

obfuscate, deny, blame others. So when things don't go the way they want or the way you want, the team is all very much into the team. But they're not they're not being realistic or hard looking at themselves saying, hey, you know, we're losing, right? We're not successful. And so there's a propensity to kind of, , go along and get along, and then everybody's gonna be happy. and nary dissenting view will be heard. And to me, it's like, in sports parlance, if you know basketball, you're at halftime, you're down by 30 and you're blaming the refs.

Mike Murphy 00:22:27 You know, it's and that and that's insidious. And I've seen that over and over again. I find that actually to be a more common problem necessarily than the dysfunctional leadership team that either the guy, the gal at the top is a tyrant or Myron Milquetoast and refusing to make decisions. I find that more. We have a great culture. Our employees really like it here, and the leaders all get along and yippee, yippee skippy. And you know, and we've got a foosball table in the lunchroom and, you know, all this stuff and. But meanwhile you're down by 30 at half. Right. So you gotta wake up. So that's a really hard thing to break through because organizations that are failing should feel stress and pressure should feel it. You can't just make it go away. There's a reason the executives are grumpy and employees are unhappy. And customers aren't happy, it's because you're not doing well.

Mike Murphy 00:23:25 It's supposed to be that way. It's how capitalism works.

Rafael E. Salazar II 00:23:28 I think there's a lot of pressure on, especially in health care where there's a lot of turnover. And if on the clinical side, burnout is huge, like there's this desire to try to make it super smooth, super happy for everybody so that we retain key staff and all that. But at some level, like those, like you said, the feelings of angst should be there if the organization isn't doing well. So how much of when you come in, like are you having to do like an all teams meeting or all hand meeting and say, listen, like the only reason we're here is because things are not going well? Or like, how do you address that? Do you address that from the top and kind of filter it down or you try to get everybody together or.

Mike Murphy 00:24:10 That's a great question because in my, you know, 35 plus years, I've been in that situation a number of times.

Mike Murphy 00:24:22 And I don't know that I've always been successful. So it's still a journey for me. It's hard to get through. In past lives where I've been on executive teams and that very thing. And I remember one executive team I was on, we were clearly spinning downward. I mean, we were heading for real trouble. And I knew it. I could see it, you know, it was clear to me a couple of my colleagues, but the rest of the place was just, you know, you don't know this. Is this just part of the business? And so I actually did a, like, a 360 line, like, who am I? And I listed all these things, and it ended in bankruptcy. and it was a case study of

another company that was virtually in the same space that had the same characteristics.

Mike Murphy 00:25:15. And so I presented this to my to my fellow executives and the chairman and, and they were like, is this us? I go, it looks like us dunnit. And this is where it's going. Do you think we could get them to change anything. No. So it's hard because. So I don't know that everybody makes the jump. So the first thing is you don't run in with your hair on fire. Right. So if you're going to get somebody to convince that something's wrong, you, it's a very much a Socratic method, which is. And so I do this all the time. And this is kind of a cultural mapping where I sit down and we put the pencils down, we sit there and we get up on the whiteboard and said, okay, everybody, tell me what a great company looks like. Give me the adjectives. And everybody writes them all down, you know, and they're a dynamic and lovely employees, a customer to write them all down.

Mike Murphy 00:26:03 And you're putting things all over the wall and you paste them all over the place and okay, let's go back and kind of organize some of the most part, people coalesce. Occasionally you'll get some cognitive dissonance, but you you put them together in groups and then you kind of get, I don't know, 25, 30 different descriptors. And then you say, all right, let's go back now. And we got this one group that talks about, you know, always delights its customers. You know, customers love them. You know, they're all references. So no, no easy grades here. We're going to grade ourselves really hard all the time. Most of the time. Some of the time, hardly ever. Never. And then you go through that. Now, if you have an organization still in denial, this they'll still trend to the fantasy side. Yeah. Okay. And then you can do that to get around the table. And then you go back one more time and said, okay, now this is how we look at it.

Mike Murphy 00:26:54 How would pick a, you know, how do our investors, how do our customers, how or if we're in a department, how's the rest of the organization see list. And that's where you see the cognitive dissonance comes in, you know, where. And that's where you find out that you have a cultural rot. So I just happen a bunch of times where I go through the whole thing and, you know, I get it all. And everybody were self, you know, congratulatory. And then we get to external audiences think we're idiots, right. Effectively. And they're aware enough to know that our customers leave if they don't like us. And then you try to reconcile that and see if that gets a call to action. And I remember I was in one place where I was doing this as the new chief marketing officer, and I had the whole sales and marketing team in there. And then I went through the whole thing, and I kind of looked back at them and they go, well, that's what you're here to.

Mike Murphy 00:27:42 You're here to fix that, right? There was no sense of ownership or and then I knew I had a cultural rot that I had to kind of root out. So it's a very difficult thing. And I and so I try to be very Socratic. and I, you know, and especially if you're the hired gun, come in to kind of change the culture really hard. Right. So you don't there's a natural kind of, oh, okay, here's this gasbag

going to tell us what to do and just going to, you know, and so you go in very Socratic, very gentle, and you just try to let the process, you know, okay, what are our goals and objectives. Get them all written down. And then you look at the gaps right now you can't help everybody because somebody's going to look at the gaps and go, yeah, they just they.

Rafael E. Salazar II 00:28:23 Can rationalize it away.

Mike Murphy 00:28:24 Right, right. And then that's the that's where the CEO is to step in and say, I've got the wrong person.

Mike Murphy 00:28:30 and I'll tell you a quick little epitaph here, which is also instructive, hopefully. So the executive team sitting around, we're at that cognitive dissonance where, you know, we have a goal in mind where we want to be $1 billion businesses, market cap revenue in the next, you know, five years. And that means a 15% compounded growth. And the company's never done even close to five. So what the executive says new group, new group, old group. You know, half and half. Eight of us sitting around the table, chairman, CEO, CFO, all that stuff. So and we have a facilitator and there's a lot of anxiety, a lot of finger pointing. And there's the old crew, the businesses that almost gone bankrupt a couple of years before. And so I'd crawled back from the edge and was on its way back. And then so there was all this finger pointing and anxiety and I said, okay, I'm the new guy said, it seems to me we all agree on the goal, right? Yep.

Mike Murphy 00:29:20 We're going to be $1 billion business in five years, right? So that quick math, that's 15% compounded growth, right? We've never done more than five. Yep. So how much change a scale of 1 to 10. Do we need to get there? One. We sleep in our chair, fall asleep in a drool puddle. We're going to get there ten we have to blow it up and start over. Well, it was the eights and the twos. So it was the old guard says, you know, 2 to 3. The the new guard said 13 this year and we could settle at eight after. Right. and then and then I said no. And, you know, the two said, no, no, no. I, you know, we got 12% in the bag. And so we started it two and I just said, we can ranch ramp up over time. But literally what happened in 60 days, we went from, you know, tootling along at 4 to 5% and then found ourselves at -1 to 2 and couldn't answer why.

Mike Murphy 00:30:10 And the twos became minus fours, so they'd just get even harder. So not everybody's going to make the change in journey. Some people are happy just, you know, with that just kind of resetting the pars and bragging about burning them as opposed to doing the real thing. And then that's what you've got to make. They're they're in the wrong role. It's not there's not a place for them. And I'm making a value judgment. But they're not going to get you from the next point. And sometimes that's the executive team. Sometimes it's the next run below. But that's where the hard decisions have to be made. Yeah.

Rafael E. Salazar II 00:30:40 Okay. So you're you're at that point you are talking about like changing out people on the team to make sure you're hitting the goals that you need to hit. So yeah.

Mike Murphy 00:30:48 I mean it's are they up to it. I mean, and sometimes too in organizations that I'm sure you've seen this as well is that as organizations evolve, you know, the people that started with you on the journey and the bill, the early days of, you know, last one in line at the bank on Friday.

Mike Murphy 00:31:02 Does it get paid? You know, it's like those hard days and everybody's worried about making payroll and the glory that all that the camaraderie, camaraderie that those folks feel. But then as you get to the next level requires a different skill set. And that's where you kind of get the tear stained conversations where somebody was, you know, doing that stuff early on, but is not going to be able to get it to the next level. And, you know, there's a sadness to it. But I don't know, I, I try to think of it a little bit more, clinically. And that is these people have unique skill sets and they should apply them where they're going to be successful and happy, and they should go on to their next thing and be happy and fulfilled. People will know if generally we'll know if they're not succeeding. And so keeping them there and in a role where they're not succeeding, not only does a disservice to them and to you, it also does a disservice to the rest of the organization who watches it and sees it and is saying, you know, how are we going to move forward? You know, with old Pete.

Mike Murphy 00:31:59 You know, old Pete's a great guy, but old Pete's not up to the next level here. He needs to go do something else.

Rafael E. Salazar II 00:32:04 Yeah, well, in that even in and of itself would denote to the team like week week management. Right. Like if you're not able or willing to put the right person in the spot of leadership to now take us to the next level. yeah. I mean.

Mike Murphy 00:32:19 This is as a team sport, you're relying on your colleagues, right? And especially in, you know, from the CEO's perspective. yeah. I mean, you're relying on your colleagues, you know, whether you're the growth person and, Mark, you know, in the marketing role or the ops person or finance, you have critical roles to play to support the team. And if you're not up for it, you know, it drags everybody down in the organization suffers. and that's hard stuff. You know, I, I'm not unsympathetic to managers having to go through. That's really especially if they've grown with those folks in the in the play or just brought them in and realize, oh, I have to admit, I made a hiring mistake.

Mike Murphy 00:32:55 That's really hard stuff.

Rafael E. Salazar II 00:32:56 Yeah. Well, so shifting gears then from, okay, we've found ourselves in a turnaround situation. Let's try to avoid all that from the

beginning. So let's say you wanted to start a new business or get something of venture up off the ground and grow it to say millions or billions in revenue in the health care space, kind of what are the steps that you take to kind of want to avoid some of those pitfalls and then set yourself up for success in that regard.

Mike Murphy 00:33:25 So I will come down to this one is the roadmap and careful strategic planning, and having the discipline of putting pencil to paper and actually memorializing what you're thinking, you know, it's a history major. So it's the running joke is, you know, the battle plan is here's a rifle. Keep going. He hit some Russians, you know. No, no, no, no, we need we need a plan, right? We need we need to understand the environment. We need to understand the total addressable market.

Mike Murphy 00:33:57 We make assumptions about it. We've got to memorialize it, have the discipline of putting in writing so that those assumptions and hypotheses could be tested as our business unfolds. And so it's really, you know, what is the you know, you know, what is the problem we're seeking to solve. So again, you start with a business definition. And a lot of companies make the mistake and make it business definitions based on product. No. That's what you sell right. But really what is your business? What is your why? Why do you do what you do? What problems do you seek to solve? Who are the ones that you're seeking to solve it for and then start to throw some metrics around what that total addressable market looks like? So again, you don't describe features, you describe benefits. My product helps somebody go from this to that or generates this sort of an outcome. And then what's the proprietary distinction? Okay.

Mike Murphy 00:34:53 So what? Right. What is it about what you do that makes you bigger, faster, better, cheaper than the competition? Again, memorialize it. You know, write it down. These are the things that you know. And and then you build obviously the classic you know and again it gets dismissed. But it's a wonderful tool. The old SWOT you know it's it's a it's it's it works right. Yeah. And if you as long as you're really hard on yourself and not grading you know, you know gut grading do the SWOT and then build your strategic plan about how to exploit your strengths, address your weaknesses, explore your opportunities and manage your threats and, and then make that a refreshed document so that becomes not a kind of your, your map and your roadmap. So you have a plan you and then you're testing it all the time. Right. And then the other side of it, is a management process around metrics is building the cockpit, the avionics that take you on your path.

Mike Murphy 00:35:51 And that's not 1 inch dials. Right. And you can get over. Nor is it flying with no instruments. I remember having a conversation. and that's by the way, that's the piece that drives me mental because a lot of organizations have very bad metrics. Yeah, very bad metrics. And they don't they're not connected, you know, they're they're connected to things that they think are important but don't really reflect or really understand what's driving their business. So I had a conversation with a with a exec chairman. And of course we, you know,

was an organization I was part of. And we started to fail. Revenue started to fall off. We couldn't answer why, we couldn't answer price mix volume. It's 101 stuff. You know, if you're running a grocery store, you can answer price makes volume. You know, we're selling less profitable peaches than plums. You know y right. And this is a health care business and we could not health care services business. We could not answer why our revenue went from 5% growth to -2 or 3 because we couldn't answer price swings.

Mike Murphy 00:36:47 So of course, then when you get in trouble, the first thing everybody wants to do is cut expenses. So I got to cut expenses. And so we went to the budget and said, get rid of this data warehouse project. What a waste of time. And I looked at the exact chairman and I said, why are you getting rid of that? We just said, we can't answer why our revenue is dropping. I mean, isn't that kind of a fundamental? He goes, look, Wal-Mart knows more about its customers than anything. It's got the greatest data in the world and they miss their numbers. So what chance do we have? I said, oh, I said, well, you're a pilot, right? And you happen to be a pilot. Yeah. I said, got all them fancy avionics on the plane there. Yeah, well, let's just take them all out because planes crash, so why bother by having no instruments at all? Because planes crash with fancy avionics.

Mike Murphy 00:37:28 That's what you're doing. So the second piece of this, in addition to having that path and that organized structure that you're constantly testing and moving against and being acquisitive against, is also having the metrics, the balanced scorecard, the KPIs. and again various levels don't create. You know, and I've seen sales organizations get crushed with silly CRM requirements and absurd sales stuff. So really focus on important pyramid of information from the guys and gals at the top all the way down. But differences between diagnostics and KPIs so that you can troubleshoot and then don't make some of the mistakes that get made, which is put your hands over it and pretend it doesn't exist or it's a one-time event, it'll never happen again. So if you have those two things, you know that kind of roadmap, a clear view with giant question marks and of all your sentences, but memorialize that you're keeping a living, breathing document. You have a management process and structure in place that is built on dials and gauges that tell you how you're doing.

Mike Murphy 00:38:35 And then the last thing is, if you have a culture and environment that is constantly built on testing and probing and pushing yourselves and challenging the status quo, those are the three elements for, I think, a magical organization and a journey that's going to take you from where you started. Because the irony is, and you've seen this too, is like entrepreneurs will start with an idea and they'll end up 180 degrees in the opposite direction and wildly successful because they had that kind of process and they saw an opportunity where they just morphed a little bit. And yeah, you know, the path they were on, they thought they had a good idea and got into it. Oh, but over here Bing. No sudden boom home run, you know, that sort of thing.

Rafael E. Salazar II 00:39:15 Yeah. So I guess when you're setting up those metrics, how do you, how would a, maybe a potential CEO or a founder even like begin to think and put the pieces around like, okay, what is important to measure.

Rafael E. Salazar II 00:39:29 Because obviously what what gets measured gets managed or what gets measured gets improved. So obviously picking those things and you even said that if you're measuring the wrong things or you don't have the data to make the right decision, I guess how do you guide people on Choosing. Like what are the KPIs that I should even be worried about in this area?

Mike Murphy 00:39:48 Yeah. So, I obviously start at a very basal level, which is you're going to have revenue, you're going to have, you know, expenses, SG&A, and then you're going to have, you know, kind of profitability. So the, the three big dials. And so the CEO, again, depending on the nature of the organization and how flat it is, and all the CEO and CFO are going to be kind of heavily focused on those things. And so what starts the cascade is, is that okay if my revenue is off, what is it that I want to know? Okay. Now I got to you know, I got a dial that says my revenue should be at ten and it's at nine.

Mike Murphy 00:40:30 Why is it nine? Right. And so that's when the next the next level down. And depending on again how close the CEO and how big the company is, is having those KPIs that those diagnostic or KPIs that support what's going on. So that I can answer the question on is this we wanted ten, now it's nine. Is this the new reality, you know, or is this a one-time blip that will come back, or you know, or do I need a rethink or a redo or, you know, what kind of troubleshooting I need to get from 9 to 10? and that sets off the, you know, the KPIs that are below. And that's what you'll get into on the revenue side. Price makes volume. Maybe it's by segment, maybe it's, you know, and again, it's got to be, actionable enough. So it's not just a big lump like when you just say my revenue was supposed to be ten and it's nine. I don't know what to do with that.

Mike Murphy 00:41:26 I don't know what that means. But now, if I know that I'm pushing the right number of units, but I'm pushing more of the lower cost, lower premium or lower revenue units than the other one. Okay, now I've got that or, gee, I'm getting the. On this activity side. I have the volume. I'm getting the looks. But you're not closing, you know. Do I have a sales execution problem, though? I have a branding problem. So you have the next level of KPIs that that inform and support the big dial. And then there's another layer down below that, you know, where you get into the really kind of the diagnostic metrics. Right. And sometimes those could be heuristics. But there's that pyramid of information so that you can answer the next question. Right. Oh okay. Why is my close ratio off? Well I need to strip it down some more. And well, I got five salespeople and three of them are killing it and two of them aren't.

Mike Murphy 00:42:19 OK Well, now I need to go another layer down. Why are those two not killing it? And it's all-around troubleshooting and execution and you

say, okay, now I have a theory on why I'm at nine and not ten and it's actionable. And these are the things I'm going to do. And I'm going to measure that and I'm going to report that up. And so this month is at nine. Next month it'll will be nine and a half. That'll be nine. Seven. That'll be ten. You know, or something. And you could see the plan. or, you know, not only is it, you know, it's at nine or it's more structural than that. Oh, do we have to revisit it? So there's an example, right. You know, kind of those layers to be able to answer y and so what now what do I do about it.

Rafael E. Salazar II 00:42:58 I think that's very helpful because I think a lot of times it's easy like management just wants like give me the three things that I can track, make sure the business is on the right track.

Rafael E. Salazar II 00:43:07 But like you said, the ability to drill down to the subsequent questions. Okay, well why isn't this number where I want to okay. Boom. And then answering that next question and the next question, next question. So you almost like it's necessary to be tracking all that information, but you display it to the right stakeholders or team members in a way that is actionable for them.

Mike Murphy 00:43:27 I mean absolutely. The the layer, you know, so I mean, an example we did there, we just I just we just made that up. Right. So we were at ten. We're at nine. We wanted to be at ten. We pull down. Let's assume that, you know, the volume is all there, but they're close ratios, which was built into our activity is good. We got plenty of looks. So the market's there. we're losing. And then you get in and say, well, invariably there's always a pyramid. So you always have some people outperform the others in the sales orders.

Mike Murphy 00:43:56 But why are these two so far off? again, is that something the CEO is supposed to be involved at when a small company would be, but in a normal, you know, company with 50 or more employees? Probably not. But then that CMO or the chief revenue officer is going to know, you know, either oh, I see what the issue is. You know, they're you know, they're not doing this or they're not doing that. And I can coach and train or no, I gotta put on a performance and I gotta get them out. But so the idea is say, well, the CEO says, well how many from 9 to 10. And that's what I want. The numbers. Ten. That's what we're going to or how do you get there? And the CMO says we have identified the problem. It's going to take us three months to get back on track. Here's what we're going to do. Do it, do it, do it. And then you measure it.

Mike Murphy 00:44:37 Plan. Do. Check. Act, write. Plan what you're going to do. Do it, check it and act on it. And that's just that's management one on one fundamentals. But a lot of people don't do it. It's wild. Blows my mind. But they don't do it.

Rafael E. Salazar II 00:44:49 Yeah. No that's awesome. So we're getting here near the bottom. So Mike, thanks so much for taking the time. I always ask people, if there's 1 or 2 main points you'd want a listener to walk away with from the episode, What would what would they be?

Mike Murphy 00:45:05 So, I would I would go back to just ask yourself the hard question. A, you know, I think I've got a great business and I'm doing wonderful. And my people are great. And, you know, it doesn't have to be platitudes. B, the market that I sell into is ready for me, wants me. C, I have a great business. And if those things aren't lining up, and aren't lining up, and that your spidey sense ought to tell you that there's trouble in Paradise.

Mike Murphy 00:45:33 And it doesn't have to be the end of the world. you know, you just you need to if you put yourself on the right journey. All the things that I described, the tools and things like that, you know, you may get in a different spot and you may end up in a different, you know, part of the world that you thought you were going to be in. But you will be successful and, and you'll be more in control of your environment than just kind of wish and hope. And so, yeah, go, go to, go to it's trite, it's silly. You know, the old and ran check your premise and, your spidey sense will tell you whether you got on again. There's a series of things. Then you can check your do your check boxes on and ask if those disciplines are in place. and you'll figure it out.

Rafael E. Salazar II 00:46:14 Awesome. Well, where can people, go to learn more about you, connect with you, check out your work, and maybe even, have your you and your team come in and help them out.

Mike Murphy 00:46:23 Sure, our our mission is really and it's, it's it's built certainly on my career and all of my colleagues. We love the journey of building and fixing things. So, we do spend a fair amount of time really in a non-commercial environment, just, you know, listening to people. And it keeps us connected and talking to entrepreneurs. And so, you know, all the people that you know, that are out building companies and God bless them, I mean, really, it's what the what's the world revolves around. So we have this great affection and love for them, and we'll do anything in our power to help them out. So, folks should not, you know, hesitate at all to, you know, get in touch with me. it's sunstone management advisors.com all, one word backslash Better outcomes so they can come to me. They can book time with me if they just want some informal brain package. Get to know get on each other's radar screen.

Mike Murphy 00:47:18 I'm happy to do that all day long. And we have a cadre of, you know, 9 or 10 other operating partners that all have different skill sets and are happy to, you know, participate as well. So we we just love talking to folks that are out there on the journey we have and ongoing. Our mission is to help them, you know, go beyond, as we say.

Rafael E. Salazar II 00:47:35 Awesome. Cool deal. We'll link all that to the show notes. So Mike, thanks so much.

Mike Murphy 00:47:39 My pleasure. Thanks for having me.

Rafael E. Salazar II 00:47:41 Well, I hope you enjoyed that conversation with Mike Murphy. Like I said, decades of experience in the executive level, growing and scaling organizations into very, very large numbers and doing it in a way I feel like especially having this conversation with him that is not just run by numbers. I mean, obviously, you know, I'm the humanizing healthcare guy. I'm all about human connection. But you do need numbers to work out for business to be successful. What I like about Mike and I talk with him a little bit about this on the air, off the air.

Rafael E. Salazar II 00:48:17 You know, we talk a lot about making information or evidence based decisions in the business and what metrics are you looking for and all of that. But at the same time, when you go to lead and make those decisions and have those conversations, it is still a relationship. And you do need to have, you know, take into account the, the human element of of management and leadership. we're going to, I think in the next week or next couple of weeks, we're going to release a, an interview that I did with a founder of a co-founder of a pretty successful healthcare technology company in the musculoskeletal space. And he and I had this conversation. It's funny that these, these ideas kind of come up in, in themes and seasons, if you would. And the idea that he had, which we ended up talking about, the book Radical Candor and how you can be a good leader without losing your human, your human side and the relationships that are involved in managing and running high performance teams.

Rafael E. Salazar II 00:49:22 Mike's experience Running organizations that are dealing with big numbers. It's very easy to just look at people, jobs, processes as columns on a spreadsheet. And Mike was very clear about like, listen, there are still difficult conversations you need to have, and you are not just plowing through with the numbers, but you are having conversations and facilitating decisions with the leadership team that takes into account their point of view. Why do they think that the business is doing all right, when clearly it's not what pieces need to be put in place? How do we support one another? And I think that's a super big, piece. Always happy to have somebody with his level of experience and expertise come onto the show. Hopefully, like I said, you grabbed something from that episode. There were a few things that even I wrote down that I was like, I'm gonna come back to, and apply in my own businesses, and my clients businesses. So, anyways, that is all we've got this week for the episode or for the podcast.

Rafael E. Salazar II 00:50:24 If you like the show. Head on over to iTunes, leave us a rating and review. It helps people find us. Share the show with somebody that you might think, or that you think might find it valuable and insightful. That's always good too. And, if you run a health care business and you want to begin

filling out your sales pipeline, your business development strategy, reach out to me, hit me up. Info. At rehab, you practice solutions. Com or you can go to rehab. You practice solutions. Com and there's all kinds of buttons there. to schedule a call with me. and I'd love to sit down with you, chat with you about what's going on in your business, your organization. I've been doing a lot of work recently with early stage, tech startup companies that are in the middle of putting together not just early stage like positioning materials and market mapping and all that kind of stuff, but putting Together the roadmap for funding. And that's always really fun. Really cool.

Rafael E. Salazar II 00:51:26 one of them, in fact, we were I helped them put a positioning strategy together and in place. They started using that to drive leads. We then took the the information, the data from that business development or those business development efforts, and wrapped that up into a story so that they could go out to funding sources to VCs and investors and, and try to raise off of the the success that they were able to, to demonstrate early on. so anyways, fun stuff. If you were interested in talking about health care, health care technology, health care business, growing a health care business, Reach out. I'd love to have a conversation with you. until the next time, folks. Be safe, be healthy. I will talk to you then.

UU 00:52:12 Thanks for listening to the Better Outcome Show, where we explore the possibilities of a new health care. Our hope is that you walk away from each episode informed, equipped and empowered to push the boundaries in your own practice or business. We want to give you the tools to help you build strong, long lasting relationships with your patients and clients, helping meet their goals, improve their health, and achieve better outcomes.

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