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Karin Vinik at South Lake Hospital (A)

Karin Vinik, the CEO of South Lake Hospital in South Lake, Minnesota, could not believe what had happened in the last ten minutes. It was late May of 2018, and the chair of the Board of Directors, Jefferson Caldwell, a local banker, had informed her that Alice Conklin, who worked in admissions, was about to lodge a sexual harassment complaint with the Minnesota state department of human resources. The complaint accused James Noskin, vice president of operations, of inappropriate language and unwanted physical contact. Caldwell informed Vinik that the Board had known of the situation for two months but had not acted because the outgoing CEO felt he would not be around to see it through.

Vinik stared out the window with anger welling up inside of her. She had been CEO for two weeks. How could the Board not have told her about something that could seriously affect her and the hospital before she accepted the job? She had grown to like Jefferson Caldwell and considered him an ally. Now, she was not sure what to think about him and the Board. She knew she had to act quickly to deal with this. She turned back to her desk and called Abby Schreiber, the head of HR.

South Lake Hospital

South Lake Hospital was a survivor, but a wounded survivor. Situated in the small city of South Lake (pop. 11,450) in south central Minnesota, South Lake had become the only full-service hospital in four counties (including northern Iowa). All the other hospitals in this rural area of Minnesota had closed their doors. Yet, South Lake was not out of the woods. The hospital faced serious strategic, operational and financial issues.

South Lake had a long history of serving the largely rural population in its surrounding area. Founded in 1894, the hospital had grown and developed into a full-service hospital with 520 employees, 35 doctors on staff, and 247 affiliated physicians in practice groups in the four counties the hospital served. The hospital had 65 beds, and operated a cancer center, a surgery center, a center for pregnancy and birth, and three community-based clinics.

While South Lake had survived, the hospital had been losing money for the last few years. As a non-profit, the hospital did not have shareholders or pressure from financial markets, but it had regulatory concerns and it could not continue to sustain losses in the millions of dollars a year. In 2017,

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for example, the hospital had revenues of \$320 million, but incurred a net loss of \$15.4 million. That figure was much higher than the previous two years, which were also years of losses.

In addition, the hospital had suffered high turnover among the doctors, nurses and administrators, and patient complaints had been rising. The Board members recognized the problems and were unified in the decision to seek new leadership. The previous CEO, Raymond Schultz, had been in office for 15 years. Jefferson Caldwell commented on the search for a new CEO:

Fortunately, we thought we had a good internal candidate, James Noskin, the vice president of operations. We also had people on the Board with good contacts in the rural hospital community. Vinik came very highly recommended. Harvey Unger, the CEO of the Bunker Health System, was very supportive. His recommendation carried a lot of weight. Some on the Board felt we needed an insider like James Noskin whom they knew well and trusted, and who knew the hospital inside and out. We had some very intense discussions about the appointment. In the end, however, it came down to a feeling by a majority of the Board that the hospital needed a fresh perspective and someone with a lot of ideas and energy.

Karin Vinik

Karin Vinik, 38 years old, grew up in Roseau, Minnesota where her father was a plant manager for Polaris, and her mother was a nurse. Vinik was a good athlete and loved competitive sports. She played everything very aggressively and was often injured.

That drive and competitive spirit carried over into her studies. She worked hard in school and loved to learn, especially in math and science. In addition, her mother's encouragement and her own hospital experiences had sparked a strong interest in medicine and health care. Even as a teenager she had ideas about how to make the patient experience much better.

Vinik graduated from high school and did her undergraduate work at Bemidji State University where she majored in biology. Pursuing her dream to be a doctor, she attended medical school at the University of Minnesota. The work was challenging, which Vinik loved. Some of her professors were tough and blunt, but she never let them intimidate her.

The clinical rotations in her third and fourth years of medical school reinforced Vinik's interest in patients and their experiences. She found she loved to learn about a patient's symptoms and diagnose their medical problems. She also found that she had a knack for seeing how to make things work better for them. She decided to seek a residency in internal medicine and was accepted at the University of South Dakota's program.

Her three years in South Dakota were filled with long, hard days and nights, but Vinik thrived in the opportunities to learn and to work with patients. When she completed her residency she accepted an offer from Bunker Health System, a network of 30 largely rural hospitals in the upper mid-west. It was an ideal situation for Vinik. She was part of a physician's group in Fergus Falls, Minnesota that specialized in internal medicine, but she also had the opportunity to supervise 20 local Bunker clinics in small towns spread over several counties in western Minnesota. The clinics were staffed largely by nurse practitioners and physician assistants. She saw patients, consulted as needed by video conference with the nurses, and visited the clinics regularly.

Personally, Vinik's time in Fergus Falls brought Rod Farmer into her life. Rod was the CFO at the hospital in Fergus Falls. He and Vinik hit it off, and were married in 2012. They decided to start a family

soon after that. Their daughter Brittany was born in 2014, and in 2016 they had twin boys, Douglas, and David.

Vinik developed a reputation at Bunker as an innovator, a highly dedicated and skilled physician, and a direct, forceful and sometimes hard-driving manager. The clinics she supervised implemented a more patient-focused approach to running the clinic, and the results were impressive. Not only did patient satisfaction increase, but the cost of care per patient went down.

In 2016, after her return from family leave, Bunker's CEO, Harvey Unger, asked Vinik to manage all of the 120 clinics in the Bunker system, and at the same time, become a vice president reporting directly to him. In that new assignment Vinik was able to implement many of the changes she had proven in her previous work. However, she also saw many opportunities for the clinics to improve even more by sharing experiences and by analyzing data across all of the clinics.

On a cold and windy day in March of 2018, Harvey Unger called Vinik into his office and told her about the opportunity in South Lake.

Look, you have a great future here at Bunker, but I think you should know that being the CEO of a hospital the size of South Lake would be a tremendous opportunity. It is not without risk, since they have struggled in the last two years, but the patient-base out there is good, and they still have a strong reputation. When they told me what they were looking for, they were describing you. If you go there and turn it around and work your magic on that place like you have done here, you could not only have a great impact on a lot of patients, but you would establish your reputation as a leader in health care, period.

Vinik decided to interview with the South Lake Board, and when the offer came, she thought through the implications again, discussed the offer with her husband and decided to take it. Farmer quickly found a new job with a company that provided CFO services online, and he and Vinik made the move to South Lake.

The Situation at South Lake

Vinik's first two weeks at South Lake had been about like she expected. She spent most of her time meeting with members of the Board, talking to her senior administrative officers to review the situation in each of their departments, walking around the hospital meeting doctors and nurses, and spending time in the community. She had lived in rural areas most of her life and she knew how important it was to meet the leaders in the community and get to know them.

Even in the short time she had been in the hospital Vinik could see opportunities to make things work better. She noticed tell-tale signs of a lack of discipline and order, a reliance on rules-of-thumb rather than verified processes, poor communication across departments and little attention to data on patient outcomes. However, she also found talented people, who were dedicated to the patients, and a standing in the community as a valued and highly regarded institution.

With just two weeks of experience Vinik knew that turning around South Lake would involve a major restructuring and significant changes in operations. From her experience at Bunker she knew South Lake's environment was becoming more complex. The hospital was struggling to deal with an increase in opioid addiction, growing mental health issues, and increased complexity of payment systems. She felt strongly that South Lake needed to invest in telemedicine and in expanding its community clinics (it had three), and it might need to affiliate with a large network or a larger medical center. All of this would require both strategic and operational changes.

Vinik was a realist. Before the phone call from Jefferson Caldwell, she knew she was in for a challenging few years, but she relished the opportunity to attack those problems. She felt there was a lot of low-hanging fruit and thus, opportunity for some early wins. She was frustrated that she had to focus on a sexual harassment issue that should have been cleaned up long before she arrived.

The Investigation

Vinik was very familiar with the issue of sexual harassment. She had dealt with sexual harassment complaints at Bunker and had become familiar with the regulatory and legal issues, and with recent data on the incidence of harassment at work. (See Exhibits 1 and 2) She knew what lay ahead. She knew a complaint had to be handled carefully, fairly and thoroughly. If a complaint was filed with the state human resources department, and if the department found harassment had occurred they could fine the hospital and a lawsuit could be filed. The hospital's reputation, morale among the people, Vinik's relationship with the Board, her staff, the doctors, and the community all could be damaged if this was not handled well.

Her conversation with Abby Schreiber was productive. South Lake had an established procedure for dealing with sexual harassment complaints and Vinik told Schreiber to implement it immediately. The procedure called for an outside lawyer to conduct an investigation and to prepare a report for the CEO. Vinik asked Schreiber to use a Minneapolis law firm that specialized in work-place issues.

Vinik also got back in touch with Jefferson Caldwell to inform him of the steps she had taken and asked him to inform the Board. No matter what the investigation found she knew that the Board's support would be crucial, and she felt that could be a challenge. Vinik was aware that the Board's decision to offer her the job had not been unanimous. The members who had backed Noskin strongly were courteous when she met them, but reserved in their welcome.

Vinik also met with Alice Conklin to inform her of the investigation. Conklin had worked at the hospital for fifteen years. Vinik knew that Conklin was well respected among the staff of the hospital. She worked in admissions and loved her job. She told Vinik:

I love being face-to-face with patients and their families. It's my chance to help them feel that we care for them, and that we will take care of them.

In her discussion with Vinik, Conklin shared her feelings about the hospital:

I love the hospital, but it needs to change. Noskin has gotten away with this kind of harassment for far too long. He needs to go.

James Noskin was informed of the complaint against him and told to avoid any kind of retaliatory or unethical action. The outside lawyer arrived at South Lake within a couple of days and began his investigation by interviewing Conklin in depth. Conklin repeated her story and provided the names of others who had witnessed the incidents or who she thought also had been harassed by Noskin. She told the lawyer what she had told Vinik: unless Noskin was fired she was going to file a complaint.

While interviewing those individuals the lawyer heard allegations that two employees had recently quit their jobs after being bullied by Noskin because he disliked them.

In his interview with the lawyer, Noskin denied that any of the incidents had ever happened. He admitted that he was a friendly person and liked to kid around with people, but he adamantly denied that anything he had done was harassment.

While the investigation was underway Vinik had frequent contact with Noskin. They were often in meetings together and she had many opportunities to observe him. What she saw surprised her. Though he knew he was under investigation, he was always polite, calm, and smooth, and seemingly in complete control. Vinik knew that Noskin was very close to some members of the Board who themselves had longstanding ties to the hospital. In his early years at the hospital, for example, Noskin had been mentored by Jeremy Werlich, then director of community affairs. Werlich subsequently had pursued a very successful career in real estate. He had been a member of the Board for several years and was a major donor.

Noskin had worked at the hospital for over 25 years and had held most of the senior administrative jobs. He had many friends in every department. He had hired and mentored many of the people who occupied key administrative positions, and he was a very well-known member of the community. He had served as the president of the local Rotary club and currently was serving as chair of the local school board. Vinik concluded that, although he reported to her, Noskin thought he had nothing to fear from the investigation or from her.

The Report

After ten days of interviews, analysis and writing, the lawyer submitted his report on the investigation to Vinik. The report left little doubt in Vinik's mind that Noskin deserved to be fired. The evidence was convincing that he had harassed Alice Conklin and others, and he had bullied employees into leaving the company. In spite of his polite, pleasant and smooth manner, Vinik felt strongly that Noskin had a vindictive side to him that was poison. The lawyer told Vinik that he had seen signs that his investigation had been impeded because some people were intimidated by Noskin. Not only did he deserve to be fired, but Vinik's gut reaction was that he ought to be dragged out of his office and thrown into the street.

The Decision

As she closed the report and looked out the window, Vinik thought about her options. She clearly had grounds to fire Noskin and that was option 1. Vinik not only felt he deserved it, but she needed to get rid of the poison in the organization she was sure was there and a strong, forceful action might help her do it.

Option 2 would be to put Noskin on administrative leave for enough time to work out conditions for him to return to work, including publicly apologizing to Conklin and others, going through training to avoid harassment, and other conditions.

Option 3 would be to get Noskin to resign. She would have to put together a severance package, although she was not sure that Noskin would accept the package. He might, but he also might dare her just to outright fire him.

As she pondered what to do, she remembered what Harvey Unger had told her about what a great opportunity South Lake would be for her. Smiling a rueful smile, she shook her head and went to work on her options.

Exhibit 1 Understanding Sexual Harassment in the Workplace**Sexual Harassment Defined**

According to the U.S. Equal Employment Opportunity Commission (EEOC):

Sexual harassment is a form of sex discrimination that violates Title VII of the Civil Rights Act of 1964. Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when this conduct explicitly or implicitly affects an individual's employment, unreasonably interferes with an individual's work performance, or creates an intimidating, hostile, or offensive work environment.

Section 363A.03, Subdivision 43 of the 2019 Minnesota Statutes elaborates, stating:

"Sexual harassment" includes unwelcome sexual advances when:

- 1) submission to that conduct or communication is made a term or condition, either explicitly or implicitly, of obtaining employment, public accommodations or public services, education, or housing;
- 2) submission to or rejection of that conduct or communication by an individual is used as a factor in decisions affecting that individual's employment, public accommodations or public services, education, or housing; or
- 3) that conduct or communication has the purpose or effect of substantially interfering with an individual's employment, public accommodations or public services, education, or housing, or creating an intimidating, hostile, or offensive employment, public accommodations, public services, educational, or housing environment.

Source: Adapted by casewriter.

Exhibit 2 Incidence of Sexual Harassment in the Workplace

In February and March of 2018, Pew Research Center conducted an online survey of 6,251 adults to learn about the prevalence and perception of sexual harassment in the workplace.

Incidence of Sexual Harassment Overall and at Work

Categories	Women	Men
Percentage of adults who have been sexually harassed at work or outside of work	59	27
Percentage of adults who have been sexually harassed at work*	41	16

Source: Adapted by casewriter from Pew Research Center -- Survey of U.S. adults conducted February 26-March 11, 2018; "Sexual Harassment at Work in the Era of #MeToo"

*Note: This category includes individuals sexually harassed only at work plus individuals harassed both at work and outside work.