

Building A Foundation For Change



White Paper Series: *Driving Organizational & Cultural Change*

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Thriving in an unpredictable and complex healthcare environment

The changes facing leaders and clinicians in healthcare today are unprecedented. Models of care, revenue generation, and organization are being reconsidered to incorporate changes in health care legislation, new technology, and consumers demanding a greater role in their care. At the same time consumers, regulators, and other stakeholders are demanding high-quality care at lower cost, with greater accountability for results.

Whatever the causes of the change occurring in healthcare- a new regulatory environment, cost of care demands - leaders in healthcare still must plan, budget and manage their institutions day-to-day. How is it possible then, to embrace and thrive in a business environment that is changing rapidly, and in many cases, unpredictably? Is it possible to build an organization that can capitalize on these changes?

Much information has been disseminated about new trends, strategies and business models required to win in the new healthcare environment. Re-engineering, advances in technology, developing new delivery models, the migration of patients upstream from acute care to wellness- all of these are important and will be essential to delivering quality care in the future. However, to successfully implement these changes, I would suggest that two major elements are critically important. First, attracting and developing a core of passionate leaders and individual contributors who will help determine the proper strategy for moving forward. Second, deliberately building a "change ready" culture.

People (and Culture) First, Strategy Second

Focusing on people is not new in the leadership literature. In fact, mission and vision statements containing empty slogans like “people are our most important resource” abound and are not worth the paper they are printed on. Some organizations are focused on the development of their human capital and have invested in systems and processes to that end. However, in times of extreme change, fear, and uncertainty, it can be tempting to take comfort in “activity”- to grasp at a strategy while losing sight of the basics. In a recent article entitled *The Timeless Physics of Great Companies*, Jim Collins discusses the importance of leaders focusing on basic principles, especially in times of change;

"The immutable laws of management physics include some simple yet important concepts: Do only those things that you can be the best in the world at; those things you can be passionate about; things that make simple economic sense. Take the axiom that you need to “put the right people on the bus.” The best executives have always focused first on getting people who share their values and standards. They understood that vision and strategy cannot compensate for having the wrong people. Once you have the right folks in place, it's much easier to steer the bus as conditions change.”

As Collins correctly points out, it is critical for leaders to keep focused on people, including those systems and processes that support and develop them. These systems and processes-like hiring, development, and the measurement of human capital- are price-of-entry tools on which to set a strategy. If a leader doesn't have a bench of employees with the ability to handle ambiguity and thrive in change, even the best strategy will be difficult, if not impossible, to achieve. Similarly, if an organization's

mission is unclear and it's culture resistant to change, strategy making will be nothing more than building castles in the sand. Because of this, I would add a leader's focus on building and maintaining a "change ready" culture to Collins' laws of physics. It is a critical component in building a foundation to set strategy.

Understanding, Planning For, and Acting on Your Organization's Readiness for Change

Building and maintaining a strong foundation is crucial. Given the turmoil and change in healthcare today, leaders often forget that even implementing new technology requires a change in the organizations behavior, or it's culture, to be successful. As an example, many healthcare analysts and experts rightly point to the importance of technology in reducing costs and improving care. In fact, a recent survey by Accenture and Harris Interactive, reported in the industry magazine *Computerworld* states that "58% of doctors in small private practices are planning to roll out electronic medical record (EMR) technology over the next two years, spurred by federal regulations that will first offer monetary incentives and then penalties". This leaves many well-meaning hospitals and doctor organizations scrambling to implement new technologies that make perfect sense on paper, but are difficult to carry out successfully. This is not a new phenomenon. I have seen similar well-intentioned implementations in other sectors like manufacturing where large systems were rolled out to streamline supply chain and other core processes. Some of these were less than successful and cost companies millions of dollars. It wasn't that the technology, project management, or even the "change management" processes were flawed. It was more

that leaders failed to recognize that large systems implementation is more about culture and adaptation to change than it is about technology. In this sense, it is critical to understand, assess and enhance the drivers of culture. Large scale change such as EMR implementation, a merger between hospitals or healthcare systems, or even major changes to a core policy need to be understood as changing an organization's behavior; a major shift in how things get done. Leaders can stack the deck in their favor if they build in an assessment of their organization's readiness for change, as well as a focus on building change capability during the early stages of planning. Considering an organization's readiness for change need not derail a project timeline. Surveys and other tools can be deployed quickly and can give leaders useful data for decision-making and planning. The data will help to mitigate risk, while increasing the likelihood of success.

Your Organization's Culture:

Building and Maintaining a Strong Foundation

Leaders are often unclear about the role of culture in leadership, or how important they are in shaping it. In fact, some argue that culture is a nebulous, "soft" concept that defies definition, let alone management. These are valid concerns given the treatment of the concept in the popular business press. However, pragmatic, research-based approaches to the definition, categorization, assessment and improvement of an organization's culture do exist and have even been linked to improvement in core financial and non-financial measures of organizational performance.

The recent interest in, and study of, the culture of organizations, specifically corporations, owes a debt to many important researchers and theorists. Of the many

that I have read and studied, MIT's Edgar Schien, and The University of Michigan's Kim Cameron and Robert Quinn are most often cited in conversations about corporate culture and its critical role in the behavior of organizations. Of the many important contributions of these authors, one of the most important in my mind is their ability to make the concept of culture and its relationship to organizational performance accessible to a broader audience, including leaders.

Daniel Denison, former Associate Professor of Organizational Behavior and Human Resource Management at The University of Michigan's Ross School of Business, and now Professor of Management and Organization at IMD in Lausanne Switzerland, takes the thinking around culture one step further. Denison developed a model of organizational culture based on 25 years of research linking organizational culture to performance measures including return on investment, customer satisfaction, sales growth, employee satisfaction, innovation and other key performance measures. Denison and his colleagues at Denison Consulting, LLC define culture as "deeply held beliefs and assumptions, how people think and act in organizations on a daily basis", or simply, "the way things are done around here".

Denison studied organizations that were successful as defined by financial and non-financial measures of performance, and those that were unsuccessful. He found for those organizations that were successful, culture played a critical role. Specifically, four important cultural components emerged as key differentiators:

- Mission – Do we know where we are going?
- Involvement – Are our people aligned and engaged?
- Adaptability – Are we listening to the marketplace?

-Consistency – Do we have the systems and processes in place to create leverage?

Denison's model defines a strong culture as one that balances these four components. In the model, a successful culture balances flexibility with stability with both an internal and external focus. One of the crucial roles of the leader in the model is to manage the dynamic tension that comes from balancing these four components.



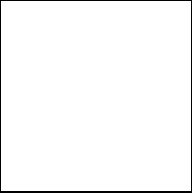
Unlike many theorists in the area of organizational culture, Denison and his colleagues have been successful in developing a pragmatic, easy to administer survey based on extensive research with over 1000 companies in 48 countries in many varied industries. Their survey differs from a climate survey in that responses point to specific

actions around the four components of culture that are directly tied to measures of performance. The results for this survey can provide a baseline going in to a major change effort, giving leaders direction around what needs to be tended to in order to make change successful. It can also be administered after the change is implemented to get a sense of what is working and what needs to be changed or addressed allowing the organization's culture to be described, developed, and leveraged for success.

Forward Into the Unknown

As healthcare in the U.S. is redefined, as new models emerge for patient care and profitability, as new technologies are developed, I believe that the organizations that maintain focus on what Collins describes as "the immutable laws of management physics" will survive and prosper. They will do so if they are successful in attracting and developing a core of passionate, adaptable leaders and individual contributors, and deliberately building a culture where these leaders and contributors help to determine the proper strategy for moving forward. The model of culture and the Organizational Culture Survey developed by Denison and his colleagues offer leaders in healthcare a timely, cost-effective way to determine an organization's readiness to successfully implement strategic change-a major component in a strong foundation for success.

Dr. Gregory J. Michaud is principal and founder of Bradford Hill Associates, LLC, a practice focused on developing executives, teams and organizations around the globe to successfully design and execute human capital strategies that can deliver superior business results. He has over 25 years of broad experience in highly regulated industries (healthcare, insurance, utilities) and in companies that are expanding into global markets (China, Europe). He also has specific expertise in developing



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