

# Establishing a Framework for Organizational Transformation in Healthcare

Performance Solutions



Consensus is building around the need for transformation in healthcare. This quest for excellence and a competitive edge has increasingly involved adapting best practices from other industries. In some cases, hospitals have augmented their management teams and acquired fresh perspectives by recruiting executives from manufacturing, retail and consumer services. Some of the most successful health systems are adapting the same business strategies and process improvement techniques that have allowed companies like General Electric to thrive over the past two decades. This paper examines both the critical challenges facing healthcare providers, as well as potential solutions for achieving and sustaining organizational transformation.

## Introduction

Despite major advances in technology and treatment options, the U.S. healthcare industry remains mired in complex, deeply rooted challenges. A variety of market forces and systemic deficiencies are undermining the quest to deliver the best possible care in the most efficient and cost-effective manner.

*“The concept of competing on value, which includes both cost and quality dimensions of performance, has become a reality.”*

– Futurescan: Healthcare Trends and Implications, 2005-2010 E-Book

The pressures are manifold and overlapping. Hospitals strive to fulfill their mission while maintaining their margin. They cope with workforce shortages and scarce resources amid rising competition and demand for services. They routinely grapple with issues related to capacity and access to care, patient safety, technology adoption, staff satisfaction, reimbursement, and retaining top talent.

The industry’s vital signs are raising red flags. We don’t need another survey to confirm what we already know: healthcare delivery is overdue for a major renovation. New management models and strategies must be adopted that will:

- Enable quick, sustainable results around immediate issues
- Equip teams with solid problem-solving skills and proven best practices
- Empower the organization with a framework that seamlessly aligns process improvement, performance, strategy and management systems

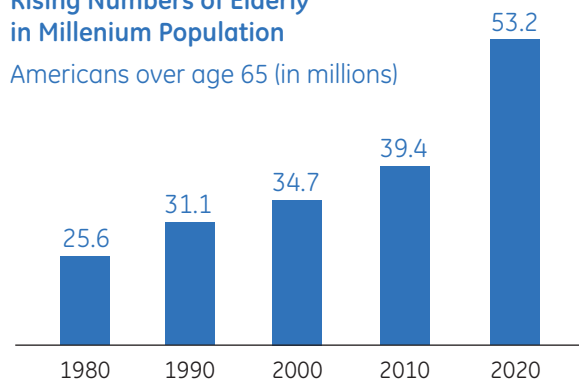
Is this an impossible mission? Can we overturn a century of tradition in terms of workflow, culture, financial management and the assurance of quality? Can we speed up the process of change and effectively spread the gains across an entire service line, hospital, or integrated delivery network?

## Perhaps the question should be – can we afford not to?

The need for large-scale change isn’t going away. Patients continue to leave overcrowded emergency rooms without being seen. Medical and technological advances continue to outpace the required adjustments in process and education. An aging and better-informed populace places higher expectations and added strain on the system. An unacceptable percentage of revenue continues to slip through the cracks of a fractured charge capture system. In addition, although we have made some gains in reducing medical errors, recent reports underscore lingering problems with the quality of patient care.

## Rising Numbers of Elderly in Millenium Population

Americans over age 65 (in millions)



Source: U.S. Bureau of Census

And to top it off, healthcare providers are increasingly finding themselves in the unfamiliar and in some cases untenable position of having to compete – for physicians, staff, patients, resources and dollars. To achieve added recognition and differentiation within their market space, a growing number of providers are actively vying for awards and coveted spots on top 100 lists.

In this competitive and complex environment, average performance in terms of both quality and financial indicators is no longer enough to ensure long-term viability. It is admittedly tough to manage through turbulent times. But if we can't stay ahead of the game now, how will we address new complexities as we expand further into areas such as digitization and personalized medicine? The answers – like the issues – are multifaceted.

Many are now calling for widespread adoption of information technology to save our nation's health system. While a necessary and critical step forward, the push for interoperability and IT implementation represents only a partial answer. Setbacks suffered by prominent health systems underscore the fact that simply overlaying 21st century technologies on top of 20th century workflow will not automatically yield the anticipated cost, quality and efficiency benefits. Hospitals must also redesign processes and address the human side of change.

New technology, clinical breakthroughs and digitization will only carry us part of the way on our journey. And real transformation isn't about turning the keys over to high-priced consulting firms that "specialize" in everything from software to investment banking and leave you with voluminous reports rather than results. It will take more than an edict from the board or a mandate from regulators. It's not about hiring a herd of new MBAs to replace your current department managers and clinical leaders.

### **So what will it take to transform healthcare? Can we really get there from here?**

Solving today's problems and ensuring a viable system for the future will require a fundamental shift in mindset and management models. It will take the combined power of proven best practices, evidence-based process control, change management techniques and leadership strategies.

And it will take a guide who has traversed the territory, knows the obstacles and can customize a roadmap to reach your destination. Evidence compiled through our extensive work with healthcare providers over the years suggests we can build such a framework to achieve long-term transformation.

For those ready to take the lead in shaping a stronger health system for the future, this paper offers a closer look at some of the challenges, solutions and real-world examples of success.

### **The 'Perfect Storm'**

The winds of change in healthcare have been gathering for some time. They are being driven by a confluence of concerns that some have dubbed a "perfect storm":

- *Patient safety and clinical quality:* The emphasis on quality on patient safety has not abated since the release of the 1999 Institute of Medicine report on medical errors. Recent studies shine an even harsher light on a system that allows nearly 200,000 people to die needlessly each year.
- *Demographic changes:* Shifting demographics and an aging population will continue to impact healthcare, particularly for specialties such as cardiovascular services. The healthcare workforce is also aging, with only 9.1 percent of all RNs under the age of 30. Currently, the average age of the RN population in the United States is 45.2 years.
- *Rapidly changing technologies and treatment:* Medical advances that offer hope to critically ill patients may present headaches to providers – at least for those ill prepared to cope with change. Implementing new technologies and treatment methods will require attention to systemic deficiencies, process variability and the human side of change.
- *The digital transition:* The push to adopt PACS and IT systems continues, as patient care settings increasingly seek the efficiencies and quality benefits of going "filmless and paperless." To succeed, this migration must be accompanied by process adaptation and change management techniques that foster acceptance and accelerate the time to benefit realization.
- *Workforce issues:* Workforce shortages remain a potential threat to the system. A 2004 survey by ACHC found that more than 59 percent of all U.S. hospitals cite capacity and staffing shortages as serious issues. To mitigate this situation, hospitals must take steps to optimize workflow, while creating an environment where satisfaction and a sense of excellence can reign.
- *Financial challenges:* Healthcare providers continue to feel financial pressures as they deal with rising demand and uncertainty in reimbursement and revenue collection. Projects that address revenue and cost management strategies will be crucial to maintaining quality services.
- *Rising consumerism:* For patients and families seeking the best possible care, the choices are expanding and transparency is becoming non-negotiable. With greater access to comparative information than ever before, patients are quickly becoming savvy consumers. Some are beginning to venture beyond their community hospitals in search of shorter waiting times, better outcomes and the latest technologies.
- *Leadership challenges:* A majority of healthcare executives concedes two conflicting points regarding leadership development in healthcare: 1) it is very important to the strength and stability of the organization, and 2) they don't do it very well. It's not really their fault, though. Most healthcare organizations lack the inherent infrastructure and internal capabilities to effectively align, measure and manage individual performance.

Healthcare leaders often feel they are in the eye of this “perfect storm” as they face such issues on a daily basis. Unfortunately, they don’t have the luxury of handling them one at a time. They need a holistic approach that targets not only near-term needs and delivers rapid results, but also provides a strong foundation for future success. Some healthcare organizations have already led the way in this regard, and are now becoming recognized as providers and employers of choice.

### Overcoming Barriers to Change

Healthcare has certainly not been a stranger to improvement initiatives. Over the past two decades, the industry has seen a parade of programs, including reengineering, benchmarking, systems thinking, Total Quality Management (TQM), Continuous Quality Improvement (CQI) and a host of others. So why haven’t these well-intentioned efforts been more successful?

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*“The medical community now knows what it needs to do to deal with the problem. It just has to overcome the barriers to doing it.”*

– Lucian Leape, Harvard’s School of Public Health

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The short answer is that change is hard. It can be especially difficult to drive change within the healthcare environment, where invisible obstacles often thwart the good intentions of talented and caring people. They may be caught in turf battles, stuck in departmental silos, or lost in communication gaps that are never adequately filled.

Perhaps the front-end planning and communication aspects of past change initiatives failed to receive enough attention. In some cases, a sense of balance may have been lacking – for instance, applying aggressive cost reduction efforts that inadvertently caused problems with quality or staff satisfaction.

While the short answer is that change is hard, the longer answer is that there may be many underlying factors hindering the resolution of long-standing issues in healthcare. Based on GE’s experience with thousands of hospitals and health systems, however, we will focus on the top three culprits that can potentially sabotage the best laid plans – culture, alignment and control.

### Barrier #1: Culture

Numerous studies have shown that 50 percent to 80 percent of all major change initiatives are doomed to fail – often due to collisions with unseen cultural barriers. It’s a pattern repeated across many organizations and industries. Senior leadership may believe they have identified the best technical solution and have diligently compared features, benefits and costs. But whether that solution involves a new piece of equipment, a software program or a quality improvement initiative, there is one vital element of the equation that executives overlook at their peril – acceptance.

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*“I think that culture eats strategy every day of the week. And culture is people. You can set up the best strategies in the world, but if you don’t have the hearts and souls of the people behind that enterprise, it’s nothing.”*

– Norma Hagenow, President and CEO Genesys Health System Source: The Conference Board, 2003

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The superiority of the technical side of your equation won’t matter if you haven’t proactively addressed the human side. For instance, staff and clinicians may be hesitant to participate in projects due to a historical emphasis on blaming people rather than fixing broken processes. Resistance could be coming from a senior leader or physician who views the latest change initiative as simply the “flavor of the month.” They assume – probably based on past history – that if they wait long enough, “this too shall pass.”

In other cases, you may have a clash of cultures or misaligned incentives due to a merger or even notable differences among stakeholders within a single hospital or system. For example, a variety of concerns and perspectives may stem from issues related to union versus non-union teams, academic versus non-teaching facilities, and even clinical staff versus physicians not directly employed by your institution. You must carefully consider all of these factors when introducing a new performance improvement initiative and develop a plan to gain widespread consensus.

Cultural challenges can arise from an internal hierarchy and traditional structure that unintentionally encourages people to stay within their silos. When mapping the process of a typical patient’s care from door to discharge, however, you can easily see that the path crosses many boundaries and involves multiple caregivers. As pointed out in recent books such as *Complications and Internal Bleeding*, every handoff and interaction within the healthcare delivery system presents an opportunity for an error to occur – especially if communication is faulty or the process flow is poorly designed.

Barriers involving human interaction can feel intractable at times. But whatever the situation in your own environment, cultural issues can be overcome if they are dealt with up front using the right change management and facilitation techniques. In fact, by applying common-sense strategies, we have actually seen resisters and skeptics become enthusiastic supporters. Partnering with an objective and credible third-party organization can also be an effective way to bridge the divide, while getting quick results in key areas.

### **Barrier #2: Alignment and Accountability**

In some cases, an organization may have the right tools and the right people in place, but they may not have sufficiently aligned their improvement initiatives with the strategic plan or overall goals of the organization.

In some healthcare organizations, there is no real alignment because improvement efforts are scattered across the system, without a shared framework and a centralized selection and scoping process based on valid data. In the interest of appeasing disparate stakeholders, senior executives may allow a wide variety of improvement tools and techniques. While there are a number of complementary solutions that can be quite effective, experience has shown that adopting a common language and toolset across the organization can yield greater results in a much shorter time span.

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*“Attach every change initiative to a clear purpose or goal.”*

– Jack Welch, former GE Chairman and CEO, from the 2005 book, “Winning”

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In other facilities, the hospital may relegate process improvement efforts to the quality department or a lone risk manager instead of assigning enterprise-wide ownership and appropriate leadership support. Management must assume responsibility for linking all improvement projects to the primary areas of focus as identified through clearly articulated mission and vision statements.

It is also important to provide the right management infrastructure. The hospital should design systems that drive accountability and measurable results, supporting the organization’s top “line of sight” goals. Experience has shown that the level of performance rises significantly when people know exactly what is expected of them, how their job is linked to the organization’s top priorities, and that they are responsible for delivering certain results that will be measured on an ongoing basis.

The last piece related to driving alignment and accountability is to make sure you consistently recognize, reward and celebrate your team’s success. This probably seems intuitive, but it’s easy for leaders and organizations to get bogged down with daily challenges and overlook this important aspect of building and motivating a team.

### **Barrier #3: Control**

Setting your organization on the right track with the right tools is one thing – staying on track is often a more formidable challenge. Using traditional improvement methods, some organizations may have seen initial success targeting isolated cost and quality issues, only to find that benefits they achieved began to unravel over time.

This is actually a familiar syndrome, since the concept of control has been one of the key ingredients missing from past improvement initiatives in healthcare. You may be able to relate to this scenario: a team tackles a project to improve a particular process in the operating room. Data is collected, changes are put in place, results are measured, and victory is declared!

With the project “completed,” the team then moves on to other issues, satisfied with their results. Six months later, however, the same problem starts to mysteriously resurface. The manager calls for yet another meeting and another plan to fix the problem. It’s not unusual – hospital teams waste valuable time repeatedly tackling the same issues without reaching a successful conclusion.

To avoid this frustrating cycle of “gain and wane,” it is necessary to establish a valid mechanism for monitoring results once the issues have been carefully analyzed and improvements are put in place. Key indicators or metrics from individual projects can be incorporated into dashboards or balanced scorecards. This establishes long-term control, and provides the executive team with a current, high-level view on the overall health of the organization.

In addition to formal monitoring mechanisms, control also requires maintaining enthusiasm and commitment across the organization. Keep the team engaged and on-board through a plan that makes sure results are visible, contributions are recognized and the positive impact on patients is acknowledged.

To anyone who has attempted to manage a large-scale change initiative in healthcare, these barriers will undoubtedly sound very familiar. They can be overcome, however, with the right approach – one that addresses technical and cultural aspects of change, builds internal capabilities and provides clear oversight through strong management and measurement systems.

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*“While almost every other industry critical to the American economy has undergone some form of systematic, data-supported, quality-improvement process, healthcare is woefully behind the curve.”*

– George C. Halvorson, chairman and CEO of Kaiser Foundation Health Plan Inc. and Kaiser Foundation, Hospitals InformationWeek. – Jan. 31, 2005

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It definitely takes leadership and vision to ignite transformation, but there are other critical ingredients and steps that must be considered as well. As evidenced by an increasing push toward public reporting, genuine transformation in healthcare won't happen without transparency. And because healthcare hasn't yet shed its traditional “blame and shame” approach to dealing with serious issues, transparency can't happen without culture change. And finally, culture change won't happen without a bold vision, a common toolset and unwavering commitment.

This is admittedly a tall order. But the healthcare organizations that have actually managed to achieve and sustain such a system-wide transformation are proof that it is possible. Why did they succeed where others have failed? How were they able to beat the odds and meet their objectives? What enabled them to create an environment that encourages excellence at all levels of the organization? Even more importantly, how were they able to maintain results over time, instead of watching them unravel as so many past efforts have done?

### **A Framework for Transformation**

As stated earlier, any transformation must begin with a vision. Most executive teams have already crafted a mission statement and usually have a clear vision as to where they want to take their organizations.

The CEO may have the right direction and goals in mind. But the real challenge is in translating the overall vision into well-defined actions and measurable results. Healthcare executives often find that it is especially difficult to enact their vision when it involves confronting intractable issues, removing cultural barriers and fundamentally changing the way people work and interact on a daily basis.

Most industry leaders are not overnight sensations. It takes hard work, perseverance, vision and the capacity for change. During the 80s and 90s, General Electric faced challenges similar to those confronting healthcare and other industries, and went through a series of transitions in order to strengthen the organization. To facilitate a transformation that has been widely recognized as successful, GE developed and adopted several new strategies.

### **10 Keys to Successful Transformation**

1. *Define a vision* for the future and know your current state by analyzing market, culture, technology, community needs and opportunities for improvement.
2. *Develop a communication plan* to reach all levels of the organization.
3. *Visibly champion the cause* showing strong leadership involvement and support.
4. *Build internal skills* to solve problems and lead change efforts.
5. *Seek early, measurable wins* to build momentum, overcome skepticism and encourage participation.
6. *Take a balanced, holistic approach* to ensure gains in one area don't cause problems in another.
7. *Reach out and learn from others* who have embarked on similar initiatives – whether inside or outside your industry.
8. *Establish alignment and accountability* by linking major goals and core business metrics to projects and performance.
9. *Create monitoring mechanisms* to ensure results are maintained.
10. *Recognize, reward and celebrate success* on a regular basis!

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*“In addition to better process control, we're focusing more on people issues now – driving accountability and putting more structure around our ideas.”*

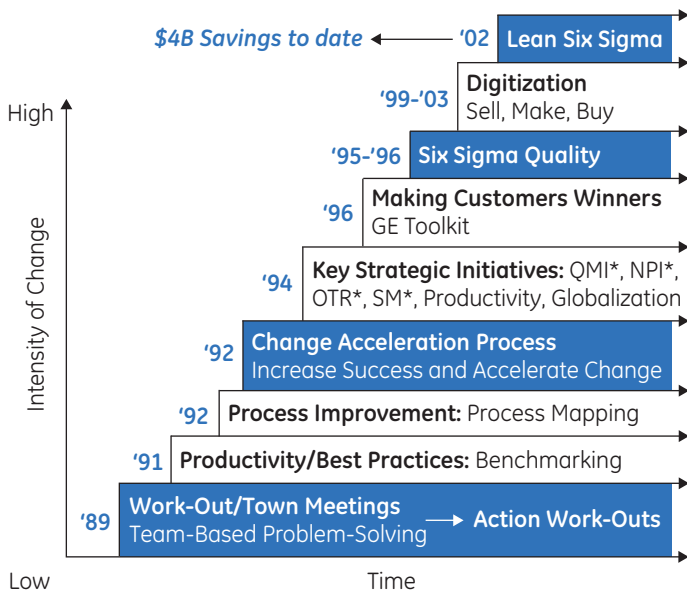
– Richard P. Miller, President and CEO Virtua Health, New Jersey

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The following graphic illustrates the various phases of change and the journey toward excellence that GE is continuing to pursue:

- The tools helped the business realize its vision and have been proven to work over time. Responding to customer requests for assistance in the late 1990s, GE's Performance Solutions group began taking this approach to healthcare providers. Leveraging tools to drive cultural acceptance, improve processes and strengthen business results, hospitals have been able to make impressive gains.

## Evolution of Quality at GE



Developing a sustainable framework for transformation in healthcare requires a comprehensive approach based on delivering targeted results, acquiring skills and adapting new management systems:

- *Deliver quick results through focused projects:*  
To build momentum for change, it is important to demonstrate early, tangible results in one or more key areas. Outside experts can lead the way, while introducing staff to new concepts for tackling common problems. Projects should provide measurable financial, quality and/or productivity benefits. With the right guidance, such an initiative can pay for itself many times over and spark a movement toward broader transformation.
- *Acquire internal capability and best practices:*  
While impressive results can be seen from a single project targeting an issue such as patient wait time or radiology throughput, acquiring strong problem-solving skills internally will help you drive the effort forward and spread the gains.  
  
Empowering staff, clinicians and leaders with a common set of problem-solving skills will ultimately enable them to drive their own clinical and operational improvement efforts.
- *Adapt systems to manage and sustain success:*  
To expand the benefits and help any improvement initiative take root within an organization, it is essential to provide supportive management and leadership systems. Such a system usually includes a well-defined operating calendar, along with consistent methods for evaluating, developing and rewarding top performers. When implemented appropriately, this approach clearly connects individual initiatives to the organization's strategic plan.

## Summary

Transformation is a journey rather than a destination, and every journey begins with a single step. The path and pace you choose will depend largely on your immediate needs and organizational readiness for change. Regardless of where you start, it's important to have a vision of the overall framework in mind.

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*"We have a lot more clarity now and we're getting people to understand the word 'accountability'. Everyone has a clear idea of what is important and what is expected."*

– Glenn Fosdick, CEO, Nebraska Health System

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Reaching new levels of excellence goes beyond training or tools. It requires becoming both a learning and a teaching organization – one that is disciplined enough to consistently deliver results, yet agile enough to shift gears when necessary.

At the very least, we should make sure that whatever we're doing adds real value for patients. Improving their experience should be central, whether introducing a new technology, streamlining the surgical suite or eliminating redundant paperwork so a caregiver can spend more time at the bedside.

Adherence to the status quo is no longer an option. As the public increasingly gains access to clinical outcomes and patient satisfaction data, hospitals will have to address the gaps or find themselves on the defensive.

And while we're grappling with today's challenges, tomorrow isn't far off. With revolutionary advances and the promise of personalized medicine on the horizon, healthcare stands on the threshold of a bright future – if the right infrastructure can be put in place to support it. We cannot afford to be immobilized by systemic inadequacies or cultural barriers.

Converting healthcare's tough issues and obstacles into opportunities and long-term results isn't impossible. But we must start by acknowledging current gaps and leading the way toward genuine transformation. It is a journey that must begin now.

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