

TRANSFORMING
HEALTH CARE
LEADERSHIP

A SYSTEMS GUIDE TO

Improve Patient Care, Decrease Costs,
and Improve Population Health

MICHAEL MACCOBY
CLIFFORD L. NORMAN
C. JANE NORMAN
RICHARD MARGOLIES

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Preface

Why and How We Wrote This Book

We wrote this book because our experience convinces us that with the right kind of leadership, health care organizations can improve patient care, decrease per capita cost, and improve community health; however, we also see that current models of leadership and conceptual tools for change are inadequate. The purpose of this book is to provide a practical guide for the kind of leadership needed. It combines concepts and tools, theory and proven practice.

Changes in products, processes, and organizational structure take place all the time as organizations grow or adapt to changing markets, technologies, government regulations, or restructure after mergers and acquisitions. But fundamentally transforming an organization is extremely difficult. However, there are three reasons why leaders take on the challenge:

To avoid imminent extinction: The organization is threatened with imminent extinction; it may be too late for survival in the present form. Options usually include bankruptcy, a leveraged buyout, and severe cost reduction strategies such as downsizing or simply choosing to do nothing and disappear. If the organization does survive, it will have to change.

To avoid threats that could seriously damage or destroy the organization: Leaders have the foresight to see that future threats will damage or destroy the organization, and they take the necessary action today to position the organization for adaptation to a better future.

To improve effectiveness: Visionary leaders can imagine how the organization can become more effective. An idealized design of the future is developed and becomes a shared vision for the organization.

This book presents leaders with the concepts and tools to use foresight, to create an idealized vision for the future, and to implement it.

The *Oxford English Dictionary* defines *transformation* as changing the form or altering the character of something. Note that this book is not titled transforming *leaders*, but rather transforming *leadership*. Although we describe the knowledge and understanding that leaders of health care need to develop, we set this development in the context of transforming an organization, a social system. Leadership implies a relationship between leaders and collaborators. An effective health care organization will have different types of leaders working interactively throughout the organization, mobilizing collaborators to continuously improve the system. This book not only describes the types of leaders and what they need to know and do, but it also explains why and how collaborators can become engaged in the transformation.

The transformation of leadership in this sense requires continuous improvement of processes as well as individuals. It requires leadership with constancy of purpose, not only at the strategic level, but also throughout a health care organization. The knowledge and tools presented in this book will challenge concepts and beliefs held by many managers. We list some of these beliefs or management myths in the Introduction. The improvements that can be achieved by using the concepts and tools described in this book require a great deal of time and work, but the potential returns are great in terms of patient well-being, productivity, and benefits to communities.

The authors of this book have a combined total of over fifty years of studying health care organizations and consulting to those attempting change. This guide is based on what we have observed from the most effective health care organizations and what we have helped construct in those organizations that have hired us.

We have come together from different paths. In 1988, Henry Simons organized the National Commission on Health Care, and asked

Michael Maccoby to facilitate its meetings. The commission members included distinguished leaders from medicine, business, politics, universities, religious organizations, and unions. They heard testimony from economists and practitioners on the problems of rising costs, quality of care, and lack of insurance for over 15 percent of the U.S. population. In 1990, the Commission evolved into the National Coalition on Health Care (NCHC) and grew into nearly a hundred organizations, including provider groups, businesses, unions, pension funds, religious organizations, health care organizations, and insurers. Maccoby facilitated a number of meetings of the Coalition in 2003 that resulted in a consensus on the elements of a policy that would effectively address the problems of health care in America. In 2004, the Coalition published a report, *Building a Better Health Care System: Specifications for Reform*, that presented five principles or goals for a reformed health care system:

Health Care Coverage for All

Cost Management

Improvement of Health Care Quality and Safety

Equitable Financing

Simplified Administration

The Affordable Care Act (ACA) has moved toward these goals, but it has not taken the country the full distance. The way costs and pricing are determined raise issues for our society. NCHC continues to study and propose policies to improve care, decrease costs, and improve population health. Maccoby serves on the board of its Action Fund.

In the fall of 2012, under the leadership of John Rother, the Coalition presented a seven-point strategy designed to save money, improve care, and achieve better health outcomes:¹

1. Change provider incentives to reward value, not volume
2. Encourage patient and consumer engagement
3. Use market competition to increase value
4. Ensure that the highest-cost patients receive high-value, coordinated care
5. Bolster the primary care workforce
6. Reduce errors, fraud, and administrative overhead
7. Invest in prevention and population health.

Maccoby came to these issues with experience as a practicing psychoanalyst and consultant to business and health care leaders who were working to improve productivity and the quality of working life. From this experience, he was convinced that no government policy could, by itself, cause health care organizations to improve quality and at the same time cut costs. To do so would require good leadership and improved processes. Furthermore, he saw a danger of health care organizations becoming static bureaucracies at a time when the most advanced knowledge companies were becoming dynamic learning organizations. The difference was one of mechanically delivering a standardized product versus coproducing, with customers, productive solutions that increased value for the customers. It was the difference between delivering care to passive patients versus coproducing health with active patients who shared responsibility for managing their own care and taking steps toward healthy living.

Two former classmates from Harvard College, Roger Bulger and Paul Griner, had become noted physicians and leaders of health care organizations. They encouraged Maccoby to study some of the best health care organizations in the United States and report on the kind of leadership required to continually improve productivity and the quality of care. They helped him to get a research grant from the Robert Wood Johnson Foundation and together with Simmons helped him gain entry into health care organizations they considered to be among the best in the United States. Results of the study are described in Chapter 2.

On the basis of this work, Maccoby was hired by leaders of four large health care organizations to aid them in attempts to transform their organizations. Richard Margolies, his principal research associate in the Robert Wood Johnson study, also assisted Maccoby when he was invited to help two health care organizations, described in Chapter 2, attempt to merge.

Cliff and Jane Norman assist their clients in developing, testing, and implementing process and management improvements. Their work typically involves helping clients understand their organizations as social systems to ensure that changes are aligned with strategy and executed effectively and efficiently. Cliff's first foray into health care in the late 1990s was helping Dayton Memorial Hospital view the work of the hospital as a system. In 2001, Cliff and Jane were asked to support the Robert Wood Johnson sponsored project on Pursuing Perfection in Jönköping, Sweden (see case in Chapter 10). They organized

workshops on quality improvement and systems thinking and worked on specific improvement projects. Since then, they have worked with health care organizations in Canada, England, Scotland, Singapore, and many different parts of the United States.

Currently, the Normans are on the strategic advisory team of the Texas Team Advancing Health Through Nursing, an action coalition sponsored by the Robert Wood Johnson Foundation, AARP, and the Center to Champion Nursing in America under a campaign called the Future of Nursing: Campaign for Action. In addition, they support the work of Alexia Green at Texas Tech University Health Science Center, Lubbock, Texas, Doctorate of Nursing Practice Program. Jane recently held the position of COO for Our Community Health Information Network (OCHIN) where she has employed the ideas presented in this book as a practicing executive leader (see OCHIN case in Chapter 10).

In 2009, the Normans attended a workshop on leadership led by Maccoby and then invited him to present his ideas to the Southwest Quality Network of their clients who followed the improvement practices and theories advanced by W. Edwards Deming, Russell Ackoff, and others. Maccoby had been both a student and colleague of Deming and Ackoff and in 1990 had been invited by Deming to expand on his understanding of psychology and leadership. The Normans considered that Maccoby's concepts of strategic intelligence and psychology filled a gap in Deming's profound knowledge and could be combined with Deming's concepts of systems, understanding variation, theory of developing knowledge, and his methods of building a system of improvement and innovation. They suggested collaborating on this book, which is the result of integrating these concepts and their combined experience.

During the initial stages of learning and collaborating together, the Normans introduced Maccoby to the methods for leaders called "Quality as a Business Strategy," which had its foundation in Deming's idea of the organization viewed as a system. These methods were developed by Associates in Process Improvement (API)—Austin in 1998 from their work in supporting Deming at many of his famous four-day seminars. Often the API improvement advisors were challenged by seminar participants for methods to support the theories that Deming presented. From this challenge the following methods were developed by API:

1. Purpose Statement
2. The Organization Viewed as a System

3. Family of Measures—To measure the effectiveness of the system in accomplishing the purpose of the organization. Often referred to as a “dashboard” or “balanced scorecard.”
4. System to Obtain Information—Information focused on matching the *need* in society that the organization served with a focus on customers.
5. Planning—Identifying strategic objectives, improvement efforts, and resources to accomplish the strategy.
6. Managing Individual and Team Efforts—Methods for leaders to ensure that the necessary efforts to design and redesign the system are properly executed and integrated into the organization.

As Maccoby explored these methods he made an observation to the Normans; “What has been developed here are methods to build a foundation for the learning organization.” The work was then undertaken to integrate Maccoby’s ideas of strategic intelligence with Deming’s system of profound knowledge, utilizing the methods for building a foundation for the learning organization.

API has published the methods related to Quality as a Business Strategy (QBS) in their book, *The Improvement Guide: A Practical Approach to Enhancing Organization Performance*. The application of these methods will be discussed in Chapter 10 with applications under the heading of “Building the Foundation for Learning.”

While the authors would be flattered to take credit for all the ideas in this book, we are indebted to many who have come before us and have taken the time to help educate us. First and foremost are W. Edwards Deming, Russell Ackoff, and Erich Fromm, who was Maccoby’s teacher and colleague.

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Endnote

1. National Coalition on Health Care, “Curbing Costs, Improving Care: The Path to an Affordable Health Care Future,” 2012.

