

Culture Check— The New First Step to Transformation

White Paper



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INTRODUCTION

Healthcare is an industry that continues to be engulfed in a sea of change. Anyone working in or around healthcare can list the forces and pressures demanding change. Their list likely would include one or more of the following:

- Reduce costs
- Reduce variability in care
- Reduce readmissions
- Become more efficient and remove waste
- Improve processes, quality, and outcomes
- Meet meaningful use (MU) measures
- Manage the health of a population
- Become more interoperable by sharing relevant information with others
- Adapt to changing reimbursement arrangements
- Improve revenue cycle to maximize revenue and increase cash collections
- Enhance information privacy and security
- Improve customer, physician, and employee satisfaction
- Improve data analytics competency
- Implement or optimize Electronic Medical Record (EMR) systems

The list goes on and on thereby creating an almost overwhelming sense of despair. So what is an organization to do? In response, many organizational leaders and boards proclaim that they must change or *transform* themselves to survive in the new era of healthcare. Some organizations are not thriving. Leaders and boards of directors are becoming increasingly concerned, stressed, and fearful to the point that they often make statements such as:

- “We cannot tolerate this level of behavior and performance anymore.”
- “We just have to change the way we do business--now!”
- “We have to change our culture.”
- “We need to transform ourselves into _____!”
- “Let’s get new leadership--that will fix the problem.”

This paper offers some insights into transformation and the critical role that organizational culture plays in enabling a makeover. The paper also outlines several thoughts that address a crucial area often overlooked by many--engaging both the head (intellect) and heart (emotions) of people *before* attempting significant change. Only then will transformation yield the type of change so strongly desired and needed in healthcare today.

TRANSFORMATION DEFINED

Leaders often misunderstand or misuse the term *transformation* in discussions today. Sometimes leaders say they want to transform a result or an outcome like patient, physician, or employee satisfaction. They may want to transform a particular department's operation or an individual's performance. However, a transformation is a *process*, not a *result*.

In an organizational context, transformation is the process of making profound and perhaps radical change that redirects an organization's trajectory. The intent is to take the organization to a higher level of effectiveness as quickly as possible. For comparison purposes, organizational *turnaround* implies stabilizing the organization as quickly as possible on the same plane. Transformation implies a basic change to the organizational character that has little or no resemblance to its past configuration or structure.

Lasting transformation does not happen on its own or by stating or wishing it to occur. Like coaches preparing a team for a tough season, astute leaders know that transformation takes preparation, internal assessment, reflection, and hard work.

PRE-TRANSFORMATION CONSIDERATIONS

Prior to embarking on a journey to transform the organization into something greater, leaders and boards first should develop and confirm the following essential components through a series of meetings and retreats:

- Mission Statement (the underlying reason we exist)
- Vision Statement (what we want to become)
- Strategic Plan (where we are going)
- Tactical Plan (how and when will we get there)
- Financial Plan (how we will fund this endeavor)
- Cultural Preparedness
- Engaged Workforce

Cultural preparation and workforce engagement are the primary focus of this paper.

CULTURAL PREPAREDNESS

At the core of every organization is a set of values, arrangements, rules, behaviors, and symbols that govern how an organization works. These are powerful, invisible forces that drive performance that either propels or inhibits growth within an organization.

The elements of culture and how they interact becomes the DNA of the organization.

Biologically, DNA is an acronym for Deoxyribonucleic Acid, a molecule that carries most of

the genetic instructions used in the development and functioning of all known living organisms. From a corporate perspective, DNA is essentially that vital sense of purpose that binds an organization together. It characterizes the vision, values, capabilities, and limitations of an organization's ability to perform. This DNA either primes the organization for growth or sets it on a course of stagnation, dysfunction, and decline. Unlike organic DNA, however, corporate DNA can be created, molded, and changed to improve the organization's performance over time. Effective leaders seek to understand and shape their organization's DNA so that the culture aligns with and reinforces its mission, vision, strategy, and other essential components as outlined above. By assessing the current state of their organization's culture, leaders are in a better position to effect cultural changes before embarking on a major transformation initiative.

While by no means an exhaustive list, some key elements of an organization's culture include:

1. **Values.** Corporate values are NOT employee handbooks, posters, or plaques on a wall. Rather, corporate values are what leadership consistently displays and reinforces through visible action. They manifest themselves through those behaviors that succeed in getting people rewarded and fired. However, stated values and beliefs are counterproductive when leaders do not "walk the talk." When senior management violates corporate values, culture is eroded, cynicism is born, and trust is destroyed, which is not a good foundation for an organization that wishes to transform itself.
2. **Employee and Customer Orientation.** How important are your employees, and, therefore, your customers? Who is your customer? What is your most important asset? When one puts employees first (or last), it directly translates to the customer. In the end, customers (employees) determine your success. Only satisfied customers fuel growth.
3. **Language and Conversations.** Perceptive leaders not only listen to what is said and *not* being said, but also how it is being said. For example, do people speak up when asked for their ideas or do they hesitate to state their opinions? Are their patterns of passive communication such as, "It would be good if...," "We need to...," and "Somebody should....?" However, transformation efforts require people to make active declarations, such as, "I promise..." "I will..." and "Would you...?" It is up to leaders to cultivate such statements in the organization's culture.
4. **Responsibility and Accountability.** Organizations often confuse these two terms or, worse, use them interchangeably. Effective organizations communicate and reinforce the following definitions:

- *Responsibility* – an individual accepts a particular assignment or a “burden of obligation” to initiate an action to complete a task.
 - *Accountability* – an individual is liable or answerable for the way he or she conducted a particular activity, action, or responsibility. He or she clearly explains how and why a particular commitment was upheld or broken thereby accounting for his or her choices and actions in the matter.
5. **Decision Processes.** How are decisions made and who makes them? Who has the authority to change a process or shift direction? If employees want to change something in the organization to improve a process, how do they know if they have the authority to do so? Without the ability to execute on new ideas and innovative changes in some manner, employees will become laid back rather than assertive to improve the way the business operates. This reticence can lead to a culture of complacency, which will greatly hinder a transformation effort every time.
6. **Leadership Development.** Successful organizations recognize that anyone in the organization can lead with proper education, training, and guided experience. Great leaders are not threatened by this initiative and, in fact, encourage and reward others to lead.

Examples of fundamentally changing culture include moving from reactive to proactive, hierarchical to collegial, and introspective to an external focus. Astute leaders take the time to assess, cultivate, develop and maintain high-performance cultures so transformation efforts, as difficult as they are, can succeed in their environments. Going hand-in-hand with this effort is successfully engaging the workforce.

ENGAGING PEOPLE FOR A CHANGE

Many transformation efforts (e.g., IT and EMR implementations, process redesign, etc.) have been painful or have failed because they focused solely on the structural aspects of organizational change. This result should come as no surprise as behavioral psychologists tell us that real and lasting change does not happen without individual people changing their thinking, beliefs, and behaviors. As change agents, senior leaders must appeal to both the head (intellect) and heart (emotions) of people *before* attempting transformation. In their article, “The Psychology of Change Management”, Emily Lawson and Colin Price argue that change success in large organizations depends on persuading hundreds or thousands of groups and individuals to change the way they work, a transformation people will only accept if they can be persuaded to think differently about their jobs.¹ In effect, the CEO must alter the mind-sets of the employees, which is no easy task at all.

Additionally, to fully embrace change, people must also be engaged in a process that changes how they think about *themselves* and not just their jobs. Factors such as personal goals, strengths, and weaknesses, the desire to develop skills, the value they add, and personal fulfillment working for the organization should be considered.

Lawson and Price note that employees will only alter their mindsets if four conditions exist:

1. They *see the point* of change and agree with it, at least enough to give it a try;
2. They see that surrounding *structures* (e.g., communication, reward, and recognition systems; responsibility; and accountability) are *in tune* with the new behaviors;
3. The organization helps them develop the *skills* to do what is required; and
4. They see people they respect *actively* and *consistently* modeling the new behaviors.

Lawson and Price believe that employees realize each of these conditions separately. Together, however, they add up to a way of changing people's behavior by adjusting attitudes about what can and should happen at work. If people believe in the overall purpose of a transformational initiative and it aligns with their life purposes, then they will be more inclined to change their individual behaviors. The lesson here for CEOs and anyone else leading a major transformation or change initiative is that it is not enough to tell or threaten employees that they will have to do things differently. Rather, one needs to develop a story--what makes the transformation worth undertaking--and to explain that story to everyone involved in making change happen, so their work efforts and contributions make sense to them as individuals.

A FINAL THOUGHT - A FISH STINKS FROM THE HEAD DOWN

There is a saying, "A fish stinks from the head down." It is a fact that when a fish begins to decay, it starts at its head and works its way down to its tail. Everyone who can smell can quickly tell when there is a decaying fish nearby.

The same is true in organizations. A decaying organization on its way down starts at the top with its leaders. The best leaders do more than make things work on the bottom line. A leader who balances a commitment to positive performance (e.g., nurture culture, inspire people to succeed, reward positive behavior, prepare for transformation) while maintaining business ethics should be standard operating procedure. Unfortunately, there have been leaders that delivered extremely positive results based on fraudulent pretenses (e.g., Bernie Madoff and Enron). Other leaders let their companies down by exhibiting unethical behavior (e.g., former CEOs Mark Hurd of Hewlett-Packard and Brian Dunn of Best Buy). The reality is that pressure to perform can cause compromises in business ethics, especially when the very survival of the enterprise (and the individual) is at stake. Healthcare has its list of similar examples.

When a leader violates his or her organizational trust and confidence, the entire organization simultaneously takes a hit. Unfortunately, the smell of rotting fish (a leader who breaks trust) permeates the entire organization quickly. Therefore, as an organization contemplates its transformation strategy, cultural readiness, and employee engagement, it must also take into account its leadership philosophy, style, motivations, and most importantly, its track record. It is futile to attempt to change the culture or engage the workforce, let alone launch a major transformation effort if the organization does not have the right trusted leaders in place. The first job is to fix the leadership and then proceed with defined initiatives.

SUMMARY

In healthcare, the stakes are extremely high. CEOs, senior leaders, physicians, and boards of directors are facing some daunting challenges and risky decisions. Major forces of change are upon us with more coming along the way. Today, more than ever, healthcare leaders must lead with courage, confidence, focus, and heart. Our boards, physicians, employees, and customers expect it.

This paper offered insight into the critical role that organizational culture and employee engagement play in enabling successful transformation. By incorporating these suggestions, leaders can position themselves and their organizations to produce the type of transformational change so strongly desired and needed in healthcare today.

END NOTE

¹Lawson, and E., Price, C., “The Psychology of Change Management”, *McKinsey Quarterly*, June 2003, http://www.mckinsey.com/insights/organization/the_psychology_of_change_management. Accessed July 8, 2015.