

CULTURAL ASSESSMENT

An Insigniam Innovation Assessment is a multi-dimensional, in-depth diagnostic tool designed to provide Insigniam's client with a clear picture of the current state of innovation in a client enterprise and to open pathways for the organization's executives to strengthen and leverage innovation. The assessment is an instant photograph and a roadmap.

This document is a cultural assessment of a healthcare company that will be protected by the pseudonym "Superior".

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CHAPTER 1: INTRODUCTION & OVERVIEW

THE BASIS FOR THIS INNOVATION ASSESSMENT

An Insigniam Innovation Assessment is a multi-dimensional, in-depth diagnostic tool designed to provide Insigniam’s client with a clear picture of the current state of innovation in a client enterprise and to open up pathways for the organization’s executives to strengthen and leverage innovation. The assessment is at once an instant photograph and a roadmap.

An examination of the current literature on innovation provides clear evidence that there is no agreed-on definition for innovation in the market. At Insigniam, we distinguish *innovation* as “anything new or novel that creates value...and money follows value.” When we speak of innovation in this report, we are speaking of innovation as the process for creating and delivering to the user something new or novel that the user finds valuable.

In the increasingly complex marketplace of today, innovation is not a nice-to-have; it is essential for mere survival. The price of entry into an increasingly dynamic and regularly disrupted market is reliable, repeatable innovation. At the same time, however, potent innovation can be a source of sustainable success, especially when the creativity and contributions of the people of an enterprise are unleashed and the execution of new possibilities is reliable.

A recent Insigniam survey found that 87% of executives report that innovation is critical for their organization’s success, but only 15% of those executives assert that the people of their enterprises are prepared to deliver the needed innovation. At the World Innovation Forum, a full 56% of the attendees surveyed rated their organization’s innovation efforts as *ad hoc* and indicated there was no sustaining infrastructure or culture to support innovation in their enterprises. Perhaps most shocking, those in attendance come from some of the corporations best known for innovation in the world!

One of the dilemmas of management is that, by their very nature, processes are established so that employees perform recurrent tasks in a consistent way, time after time. To ensure consistency, they are meant not to change — or if they must change, to change through tightly controlled procedures. This means that the very mechanisms through which organizations create value are intrinsically inimical to change.

Clayton Christensen
Author, The Innovator’s Dilemma

On the surface, embedding and formalizing innovation within an organization appears to be a relatively straightforward process: simply hire some creative people, give them an office and budget, and prepare for the breakthroughs. Unfortunately, as the saying goes, if it were that easy, everyone would be doing it.

Integrating any significant, new way of thinking and working into an organization is a complex process of addressing reporting relationships, accountabilities, turf battles, salary disputes, and office locations. Integrating innovation is even more complex in that successfully embedding innovation into people's everyday ways of working requires fundamental contradictions to the already-always nature and make up of enterprises. Institutionalizing innovation is not about implementation; it is about transformation.

Ultimately, innovation is a worldview and a concomitant way of working in the enterprise that is embedded in and powered by the organization's leadership, strategy, corporate culture, processes, practices, systems, and structures. Innovation is both the environment in which the people of the organization are operating, as well as the work of the organization.

OUR APPROACH FOR DEVELOPING THIS ASSESSMENT

Firmly grounded in Insigniam's knowledge of innovation and organizations and based upon our proprietary, multi-dimensional innovation screen, the innovation assessment is generated from analysis of extensive interviews and online survey responses from across the organization. The data is examined through these four dimensions:

- The six elements of the *Insigniam's Equation for Dramatic Growth*
- *The Four Pillars of Innovation*
- The enterprise's strategy
- The complex marketplace in which the enterprise operates

In the following chapters, we will provide sufficient background for each, including how they work together to provide a distinct lens for assessing an organization's conditions for, structures around, and practices of innovation. Additionally, we will share with you the findings from our extensive research regarding the state of innovation in hospitals and healthcare systems. We have organized these findings into *The Ten Disruptive Forces in Healthcare* and the parallel *Critical Success Factors for the Future of Healthcare*.

Lastly, this assessment has been developed utilizing the learnings, insights, and unique background afforded from the years of partnership between Superior Health and Insigniam. In addition to utilizing the findings of previous surveys, interviews, and interactions with Superior employees and affiliated physicians, our recommendations are further informed by a conversation with the chief executive officer of a leader in healthcare innovation.

Please note: while we make strategic recommendations, this assessment is not an assessment of the Superior Health strategic plan and is in no way a substitute for a well-considered-and-crafted strategy. In fact, as you will see, one of the pillars of innovation is a mandate for innovation, that is to say, a strategy that requires innovation for its successful implementation.

**CHAPTER 2: THE FORCES DISRUPTING HEALTHCARE AND WHAT’S CRITICAL
TO THE FUTURE OF THE INDUSTRY**

Nearly ubiquitous in today’s news reporting and coffee shop conversations is the tumultuous state of our nation’s healthcare system. Innovation is seen as critical to the success of providers and payers and to the benefit of patients, families, communities, and economies in both the short- and long-term given the current state of the industry.

That said, there are significant forces at work that have created significant shifts in how healthcare is being provided, accessed, paid for, and evaluated. Moreover, innovation in any one area is impacted by the changes happening in any other number of areas within healthcare. Most are aware that the system as we have known it is under significant upheaval, but few have access to those forces most at play in disrupting healthcare as we have come to know it.

THE TEN DISRUPTIVE FORCES IN HEALTHCARE

Through extensive research into the thought-leading literature on the industry, as well as interviews with executives, physicians, policy makers, and other stakeholders at the heart of the matter, Insigniam has distinguished *The Ten Disruptive Forces in Healthcare*, which healthcare leaders will need to address in their strategies if they intend to realize continued growth in the significantly changing marketplace. The ten disruptive forces** are:

	DISRUPTIVE FORCE	BRIEF IMPLICATION OF THE FORCE
1.	Transition to Value-Based Reimbursement: More Affordable, Higher Quality Care At Lower Reimbursement Rates	<ul style="list-style-type: none"> Hospital Systems are now Healthcare systems that also provide wellness and pre-emptive care, rather than merely “sick” acute care, which necessitates population health management methods, processes, and protocols
2.	Shifting Volumes and Lower Reimbursements	<ul style="list-style-type: none"> Most systems will need to reduce costs by 20-40% while acting to maximize and creatively optimize the reconstituted utilization of all systems
3.	Moving From Caring for Sick Individuals to Managing the Health of a Population	<ul style="list-style-type: none"> Ambiguity is high with defined parameters for care and reimbursement still being developed The law focuses on prevention and primary care to help people stay healthy and to manage chronic medical conditions before they become more complex and costly to treat

	DISRUPTIVE FORCE	BRIEF IMPLICATION OF THE FORCE
4.	Advances In Health Information Technology (HIT)	<ul style="list-style-type: none"> • Electronic Health records allow for clinical integration and full optimization requires developing analytics that leverage and optimize Big Data
5.	Acceleration In Introduction Of Digital Health Tools, Advanced Medical Technology, And Medical Models	<ul style="list-style-type: none"> • Telemedicine, personalized medicine will become (are becoming) accepted models of care likely driving higher levels of patient engagement in their own health management • Diagnosis and treatment is preventative, image based and, therefore, less invasive
6.	Shifting Demographics: Older, More Diverse, Larger Income Disparities, Greater Access	<ul style="list-style-type: none"> • Providers need to be able to provide the appropriate care in the patient's cultural context and offer a wide range of health needs based on segments
7.	Projected Provider Shortages	<ul style="list-style-type: none"> • Creating the proper match between the necessary type of care needed per each specific case and the provider best suited to provide it as evolving care shifts from more care being delivered by care providers other than doctors
8.	Informed and Involved Patients	<ul style="list-style-type: none"> • Providers to support patients in adhering to care plans, especially as an increasing number of patients are cared for in post-acute settings and while access to varied medical opinion through increased use of the internet clouds patient clarity on consensus best practices and efficacy metrics
9.	Increasing Government Regulation	<ul style="list-style-type: none"> • Deteriorating trust between bio-pharma companies, device manufacturers, and the FDA results in slower, more complex approval processes while the FDA considers regulating healthcare IT systems, thereby increasing its involvement in care delivery
10.	Shrinking Availability Of Capital	<ul style="list-style-type: none"> • Perceived unpredictability of government regulation dampens investment in medical technology and care providers while financial difficulties limit debt capacity for many hospitals

*** for a detailed review of these ten forces, please see Appendix I*

Though not exhaustive of what healthcare is facing, these ten elements can be considered elements of what technologists refer to as “a wicked problem.” Horst Rittel and Melvin M. Webber formally described the concept of wicked problems in a 1973 paper where they contrasted ‘wicked’ problems with ‘tame’ problems, such as puzzles, mathematics, or riddles.

Among a wicked problem’s ten characteristics, these three are quite poignant for the current situation in healthcare:

1. There is no immediate and no ultimate test of a solution to a wicked problem.
2. Every solution to a wicked problem is a ‘one-shot operation’ as there is no opportunity to learn by trial-and-error; every attempt counts significantly.
3. Every wicked problem can be considered to be a symptom of another problem.

Simply, the circumstances of dealing with the ten disruptive forces in healthcare are immensely complex, intertwined, and in many ways, occur for many people as indefensible.

THE CRITICAL SUCCESS FACTORS FOR THE FUTURE OF HEALTHCARE

Despite the complexity and nature of a wicked problem and the forces impacting healthcare, leaders in the industry are not without several key leverage points to more than impact the presenting condition, but to actually transform it. In service of Superior Health and its commitment to providing leadership to the industry in the midst of the significant shift that is occurring in healthcare, Insigniam has identified the ten leverage points which provide the opportunity for significantly impacting the future of healthcare.

These leverage points come in the form of *critical success factors*. In a 1984 Sloan Management Review article titled “An Assessment of Critical Success Factors,” A.C. Boynton and R.W. Zmud write:

“Critical success factors are those few things that must go well to ensure success for a manager or an organization, and, therefore, they represent those managerial or enterprise areas, that must be given special and continual attention to bring about high performance. CSFs include issues vital to an organization's current operating activities and to its future success.”

As the authors assert, critical success factors must be given special attention in order to bring about the impact and results the leveraged critical success factors represent. If employed and fulfilled upon, these leverage points, in the case of Superior Health and the healthcare industry, provide the necessary foundation for impacting the mammoth industry of healthcare, as well as those elements of healthcare which have been traditionally reinforced and rewarded as ‘the way it is.’

The critical success factors identified for the future of healthcare systems are:

1. **Indispensability:** A healthcare system must make itself indispensable, an offering which healthy community residents, patients, and payers cannot (and wish not) avoid or go around.
2. **Reengineering.** Re-engineer core patient processes to leverage technologies and drive dramatically better patient engagement and experience.
3. **New Revenue Cycle.** Develop a highly effective, productive and efficient (i.e. simplified) revenue cycle.
4. **Diversified, Yet Integrated Specialization.** Optimize physician network with strong physician leadership, collaboration, diversity of specialization and alignment.
5. **Mindset of Well-being.** Creating a mindset for patient care that looks from a broad view of the overall patient's health and well-being across a continuum of care.
6. **New Horizons.** Expand patient care beyond physician-centered and acute-hospital-located care delivery.
7. **Embedded Innovation.** Embed in the organization a competency to continually innovate and rapidly execute innovation and change.
8. **Leverage New Technology.** Establish a strong capability and capacity to leverage information technology, including but not limited to mobile and web technology.
9. **The Human Factor.** Leaders must be highly skilled in the interpersonal skills to partner with physicians and care providers, and support and encourage creativity while maintaining discipline.
10. **Context of Responsibility & Accountability.** Organizational processes and structures must be organized to institutionalize accountability and responsibility (in order to drive demonstrated value through use of evidence-based protocols, integration and coordination along the continuum, while meeting established metrics for quality, efficiency, and cost).

As is the case with a wicked problem, there is no “the solution.” Rather, executives leading an organization and an industry through a circumstance such as the current state of healthcare have access to creating or inventing a solution. As Jeffrey Conklin later wrote about wicked problems, “Solutions to wicked problems are neither right nor wrong.” It is the leader's opportunity to employ the critical success factors available to reshape the presenting circumstances to match their commitment and stand in the matter.

CHAPTER 3: SUPERIOR HEALTH AND THE EQUATION FOR DRAMATIC GROWTH

Superior Health is an outstanding organization, lauded for its financial and fiscal management, its quality of care, and for its renewed commitment to fulfilling its mission: exceptional people delivering exceptional care. As an exceptional organization, its leaders have recognized that it will take leadership and innovation to see Superior Health through the transformation required to navigate the new normal that is coming to be in healthcare.

Over Insigniam’s nearly 30 years of working with large, complex organizations to help them unleash the creativity and the full contribution of the people who constitute the enterprise, we have distinguished the equation for catalyzing dramatic growth for an enterprise. Simply, that equation is:

$$\text{Dramatic Growth} = f \left\{ \begin{array}{l} \text{Greater Innovation Thrust} \\ + \\ \text{Less Corporate Gravity} \\ + \\ \text{Inoculate Against Corporate} \\ \text{Immune System} \\ + \\ \text{Elevated Capability \&} \\ \text{Capacity for Creativity} \\ + \\ \text{Corrected Corporate Myopia} \\ + \\ \text{Effective Execution} \end{array} \right.$$

In developing this assessment, we have evaluated Superior Health against each of the six elements identified in the equation. In the following sections, we have both provided some context for each element, as well as identified those aspects of the Superior Health organization that support the equation for dramatic growth. With each element, we intend to provide Superior Health with insights and access points for leveraging the organization for the significant transformation being ushered in with the realization of the ‘new normal.’

GREATER INNOVATION THRUST

Innovation Thrust is the term we use for the drive that generates value for the customer. At the heart of its power is that the people of the organization both overtly recognize and intentionally work consistent with the premise that innovation is essential to the success of the enterprise. The conversation at play centers on a commitment that innovation is part of every person's role and accountability. When these efforts are aligned and coordinated, innovation thrust thrives.

In the vast majority of organizations in which we have worked, innovation is either *ad hoc*, e.g., "We need a new product," or is owned by a research and development function. In excellent enterprises, innovation is a part of the everyday ways of working, is in every job description, and is detailed as one of the accountabilities of every function.

Greater innovation thrust is the product of four main factors working in concert:

1. A market facing organization: an intimate relationship with customers and consumers and the other factors that make up the market place;
2. Executive, middle, and frontline management actively supporting, encouraging, and participating in innovation work;
3. A strategy that requires innovation for its fulfillment;
4. Clear, widely understood pathways and structures to support innovation.

In our interviews and our three-plus years of working intimately with and throughout Superior Health, we have not heard anyone at Superior Health declare, "innovation is my job." While the senior-most executives of the organization have recently begun to assert that innovation is critical to winning in the new world of healthcare, our research and interviews found very few people who conveyed the belief that Superior needs to innovate in order to be successful.

"Just as energy is the basis for life itself and ideas are the source of innovation, so is innovation the vital spark of all human change, improvement, and progress."

Theodore Levitt
Harvard Business School

Simply stated, missing today is a thrust of innovation. For some executives, the conversation "we need innovation" is occurring with varying levels of fervor but it is not evident from our research that the conversation has moved from a 'need' to a 'committed stand for the future.'

Executives who are grounded in the fundamentals of innovation and who know innovation as practitioners and leaders are the linchpins in generating *Innovation Thrust*. We say that the executive function is to create a bold, inspiring future for the organization, to enroll the people of the organization in that future and to generate a work environment in which they are empowered and enabled to realize it. Said simply, a part of the executive function is to build Innovation Thrust.

LESS CORPORATE GRAVITY

Corporate Gravity is analogous to a force field that keeps people from venturing too far from the current business model. In a phrase, corporate gravity pulls for what already is, not for what could be. Managers maintain the predictability of the current operations, protecting the business model from anything that would have a negative impact on those operations. Typically, people who are successful in an organization reward and reinforce those behaviors and conversations which have provided for that success, thereby (often unwittingly) developing a filter to be on guard for anything that does not fit the current model.

At Superior Health, the corporate gravity pulls for avoiding failure and limiting deviation from established norms. The ethic of the Hippocratic Oath wherein a physician promises to ‘never do harm to anyone’ has metamorphosed to some version of “Don’t take risks” or “Don’t fail.” Superior Health’s culture does not pull for prototyping, for risk-taking, or for experimenting. Rather, the corporate gravity keeps people grounded with what’s already known and proven. When people at Superior spoke about improvements in patient care, they talked about improving existing processes, not about reinventing processes, reinventing the business or creating entirely new businesses. As one person recommended, “We need to hardwire processes that minimize failures.”

People reveal that decisions on most new ideas or proposals — save those for improvements to already existing, proven process — are made only after there is either the proper data or authoritative reports from subject matter experts. Corporate gravity pulls the people of Superior Health to be good problem solvers (and they are good problem solvers) who maintain financial stability. In this pull, leaders and employees react to problems (and react well) and are able to maintain enterprise equilibrium, never losing ground and even occasionally making material improvements, yet never reinvention.

In an environment where corporate gravity pulls against risk taking and experimentation, there are very few people actively searching out opportunities that haven’t already been proven to improve patient care, elevate population health, drive down costs, streamline processes and systems, and reinvent business models to provide greatest value. Moreover, since many such opportunities have the potential to be financially negative investments in the short term, the current corporate gravity holds people back from even investigating the possibility and potential of such ideas.

Lastly, as long as Superior Health continues to fund innovation through operational cash flow that maintains historical margins, we believe this gravitational pull will detract from Superior Health’s strategy to be a national leader in delivering measurably superior healthcare. Leaders with a commitment to a big, bold, audacious future need to create problems that are too big to be solved without significant disruption. Today, the pull to not miss budget trumps the dreams of the executive team to transform the world of healthcare.

INOCULATE AGAINST THE CORPORATE IMMUNE SYSTEM

The *Corporate Immune System* is the network of organizational antibodies that thwart any deviation from what already is. In corporations, as perhaps in life, it is always easier to say, “no.” In the current design of most organizations, bureaucracy, turf, and hierarchy kill the innate creativity

that should be the product of the incredible gathering of talent, wisdom, knowledge, and resources that are present in the best companies.

The corporate immune system is an analogy for the role played by corporate systems and processes to “repel” anything that threatens the current stability of the overall business system. While it repels changes that threaten the system, it also acts to repel changes (and people) that could improve the system. An intimate relationship with the marketplace, where satisfying market needs trumps everything, keeps the corporate immune system intelligently in-check.

Whether when introducing something as compelling as innovation or a new enterprise resource platform, the immune system of an organization will fight to protect the enterprise from embracing or adopting the new ways of working. In some cases structures and processes serve as cumbersome obstacles to realizing the potential of the new element. In other cases, people — whether formal groups or informal affiliations — will work to prevent adoption either through overt or covert means.

From our interviews and work with Superior Health, one of the greatest forces in the corporate immune system is the physician population. Over the past several years, the single largest group of employees and stakeholders not involved with the transformation efforts has been physicians. From our experience, there has been very little physician participation in the majority of the culture activities and/or the breakthrough projects.

To wit, several breakthrough projects have had to be modified, scaled back, or, in the case of the project aimed at increasing physician engagement, ultimately retracted due to lack of involvement by the doctors of Superior Health. Our interviews revealed that for many at Superior Health the default context of the MEC — a framework established to elevate quality — has become little more than a structure to protect physicians from Superior Health. Others asserted that the physician groups were the stakeholders with the greatest issues in adopting and more importantly, optimizing EPIC. The largest group of people to resist adoption of the system — the physicians — were also the largest group with no-shows and cancellations regarding attendance at pre-implementation trainings, claiming that the sessions detracted from physicians being able to perform their work and, therefore, generate income.

That said, it is appropriate and fair to acknowledge that regarding efforts in which physicians have been active and full partners, such as the Emergency Department breakthrough project and the Superior Health Leadership Coalition, their involvement has significantly elevated this work to a completely new level. Yet, it is also appropriate and fair to assert that for a group who serves as the single largest keystone in the current (but waning) model of care, the general lack of physician participation has stunted the efforts of Superior Health and prevented the organization from thus far realizing the true possibility of the system’s transformation.

Lastly, by way of contrast, it might be worthwhile to study the example of one of the world’s leading medical organizations, the Cleveland Clinic. In his 2008 article titled “Developing Physician-Leaders: Key Competencies and Available Programs,” James Stoller, MD, writes,

“At the Cleveland Clinic the physician leadership development programs include “Leading in Healthcare” a program requiring ten full workdays. The physician participants engage in off-site, participatory sessions, are assigned pre-readings for each session, and, as a practicum to consolidate

the various skills presented in the course and align with the institution's priority on improvement and innovation, are asked to propose at the first meeting of the course an innovative plan to enhance clinical and/or organization function. During this first session of the course, six proposed plans that garner the greatest interest from the group are chose and teams are formed to develop these ideas into full-blown business plan proposals over the course of ensuing nine months. The final session of the course is devoted to the teams' presenting to the group and to the institutional leaders the fully formulated business plans. As one measure of the institutional impact and return of such a course, a tally of the business plans presented through 2005 showed that many of the ideas (61%) had been implemented in the institution."

ELEVATED CAPABILITY & CAPACITY FOR CREATIVITY

Capability & Capacity are simply one's ability and the space one has for accomplishing something. The Stanford d.school is one of the world's premier education programs for innovation and customer-focused design. Its founder, and one of the founders of the firm IDEO, David Kelley says that we have learned to be not creative.

The pull of organizations, of most structures and systems, and, some assert, the human condition, is for survival and the perpetuation of what already is. Perhaps seen in no greater concentration than in corporations, routine and repetition are regularly rewarded while risk is relegated to the proverbial corner of 'some day we'll get to that.'

When individuals choose to unhook from the decisions they have made about themselves, as well as unhook from the singular view of the world in which they live and work, people recover their creativity abilities. Coupled with an organization which fosters the creative capacity, quite simply and easily a context arises where $1 + 1 = 4$.

"You have to be able to create an environment where every employee of the company is part of the innovation process, where every employee takes responsibility for creating the future...the practical application, although very challenging to administer, if you're successful, you can start to produce results that really don't make any sense given the marketplace."

*Mark King
Chief Executive Officer
Taylor-Made-Adidas Golf Company*

Corporations are created in part to heighten certainty, to reduce risk, and to provide goods or services so as to deliver to the bottom line consistently and reliably without relying on any one person. This stasis is achieved through anonymity and by standardizing and controlling. Internal systems control internal processes and alert managers of deviations so that they can correct to the norm. The result of these internal processes and controls is a kind of immune system that protects

the company from surprises and deviations. The cynical might declare that a corporation is where creativity goes to die.

At the d.school, students learn that routine, which is intended to drive out variation and failure, will always produce more consistent results than innovative work which increases variation and the expectation of failure. Stanford Professor Robert Sutton provides this admonition to his students, “Organizationally, routine tends to get rewarded, but little progress is ever made. Where is your place for failing?”

Dr. Sutton’s colleague Professor Hayagreeva Rao asserts that the biggest enemy of innovation is silence. In an environment like Superior Health where routine and preventing failure or mistakes is rewarded and reinforced, there is little to no conversation about or for innovation. Design, creativity, and innovation, it could be said, are about bringing one’s full mind to bear to stand in the experience of another with true empathy. It is in this place that the genesis of innovation lays: defining, ideating, prototyping, testing, and standing in the experience of another with empathy.

CORRECTED CORPORATE MYOPIA

Corporate Myopia is a condition where the preeminence of today’s business model supersedes the importance of the future business opportunities, resulting in a near-sighted and limited perspective. Corporate myopia looks like Blockbuster-in-a-Netflix-world wherein executives mistakenly view their business model one way while the market views it quite differently.

Perhaps the most poignant example of corporate myopia facing healthcare today revolves around the transition from volume-based care to value-based care. With decades and, for some people, their entire careers spent operating in no other business model than volume-based care, many executives, physicians, board members, policy makers, and stakeholders will have no place from which to think or imagine their business than from that which they already know. Moreover, many will be stuck because, as one Johns Hopkins physician leader said, “It is hard to see how hospitals could possibly re-engineer to really meet the cost challenge since they are still largely on a volume-based business model.”

Superior Health executives and its board are well aware that the transition through which healthcare is currently going due, in large part, to the Patient Protection and Affordable Care Act (aka, Obamacare) requires a complete shift in where and how revenue is generated for the system. The executive team is judiciously making appropriate choices to navigate the obstacle-laden path, and for this leadership, action, and foresight they deserve much credit.

However, this focus on revenue and fiscal matters comes at a real cost to innovation and other initiatives deemed critical to the organization and the fulfilling of its mission. Without the Obamacare-initiated changes to the business model, Superior Health’s attention and focus on financial performance has the organization not be primarily patient-centric in its approach or ways of working. A finding in Insigniam’s initial cultural assessment from a few years ago was that at Superior Health patients were an ‘of course,’ or said differently, an also ran. Today, Superior has shifted its attention more toward patients than had been the practice. However, the decreasing patient volumes and correlated revenue pressures felt with the coming of the new world of

healthcare have usurped nearly everyone’s attention to revenue streams and balance sheets. Not only are Superior’s leaders not being true to their stand for innovation, they are not being the leaders in this area they are committed to being. They are hesitant to take the lead and initiate a bold reinvention of the Superior Health of the future—a health system that leads the nation in transforming health care. This redesign will most assuredly have negative financial returns in the near turn and herein the corporate myopia cannot see any viable pathway that is laden with financial risk.

By way of example of leading the way, Dr. John H. Noseworthy, president and CEO of Mayo Clinic, said that several years ago he, with the other senior executives, decided to bite the bullet and rebuild their business model on a value-based paradigm. Given Mayo’s already-existing commitment to providing a great place for physicians to practice and to provide extraordinary care for patients and the fact that it is an integrated medical group practice, the transition was embraced quickly by the clinics employees, was made with less-than dramatic disruption, and did not impact revenues or margins significantly. It should be noted that Mayo does not participate in Medicare except as required by law but does participate in the Medicaid program of five states.

In his 1996 book *Only the Paranoid Survive*, Intel CEO Andy Grove put it well: “Strategic inflection points offer promises as well as threats. It is at such times of fundamental change that the cliché ‘adapt or die’ takes on a true meaning.” Those organizations that wait for others to discover new models often are too late. The organizations that sustain their success continuously ask whether innovation is needed and search for new opportunities (S.D. Anthony. The Little Black Book of Innovation. 2012).

Dr. Noseworthy pointed out that no one knew what value-based medical care would look like. Instead of trying to find experts who knew the answers, he and his fellow executives engaged groups of people to envision a future for Mayo Clinic and began instituting changes. He said that they had to be open to new ideas, stay flexible, and run experiments to find out what would work.

EFFECTIVE EXECUTION

Execution is at the heart of innovation. Results are the only game in town.

“If you have great ideas but you don’t implement them — or you don’t do it very well — they’re of little value.”

*Professor Robert Sutton
Stanford Graduate School of Business*

Perry Klebahn, formerly of Patagonia and Timbuk2, says that innovation is about developing creative confidence which comes from practice, repetition, and retrying. He asserts that the best place — and perhaps the only place, in some respects — for innovation to come alive is with real

projects and experimental learning. Ideas, it could be said, are similar to birds: one in the hand is worth two in the bush.

Effective execution does not just happen. It is the result of practice and honing. For Superior Health, the people of the system are well practiced in routine, in following protocols, and in operating consistent with set structures and practices. What is missing, ultimately, for the effective execution of innovative ideas for Superior Health is the laboratory, resources, time, support, and empowerment to practice what the executives of the system assuredly hope one day becomes perfect.

Any enterprise invention or reinvention is based on five straightforward questions:

1. Who are my customers (and those I don't want to serve)?
2. What will we offer?
3. How will we make money?
4. What will I do in this concern?
5. How will we defend against competition and our profitability?

Though useful questions to ask, an organization that builds an innovation machine is able to experiment, rapidly prototype, and commercialize an innovation. The people of the organization are practiced in the art of reframing: while routine is about looking at the same old things in the same old ways, reframing is about looking at the same old things in new ways. People have been trained and have practice in being creative; that is, they do new things with old things. Remember the lesson in the ultimate game changer so far in the 21st century: Apple's first iPod was made from completely off-the-shelf components, only the interface was new. That did not just happen; it was effective execution that was the result of plenty of practice, experimentation, and retrying.

CHAPTER 4: THE FOUR PILLARS OF INNOVATION

In working with some of the most innovative and creative people found in the world of manufacturing, information technology, finance, executive management, sales, marketing, research and development, and middle level management in every industry and nearly every geography in the world, it has become apparent that there are **four key aspects** of an organizational framework needed to institutionalize and sustain innovation. We call these “*The Four Pillars of Innovation.*”

The Four Pillars of Innovation that must each be addressed and become integrated into the ways of operating, culture, and practices of an organization are:

1. **Leadership Mandate**

The senior leadership commitment to innovation, which could include tangible structure changes, clear accountability for those involved, and an impassioned appeal.

2. **Dedicated Infrastructure**

The establishment of an infrastructure for innovation so that it has a home, resources with which to operate, and metrics to assess its performance.

3. **Supportive Corporate Culture**

The establishment of rules, norms, and recognitions in support of innovation will ultimately create a culture that is supportive of innovation.

4. **Proprietary Innovation Process**

The development of a specific process for identifying and evaluating new business opportunities, e.g., the Discovery Process.

Detailed in the following four chapters is Insigniam’s assessment of Superior Health’s readiness in regards to each of the four pillars. Each pillar is intended to simultaneously stand on its own while being correlated to and supported by the other three pillars. In the final chapter, we have detailed our conclusions and recommendations for where Superior Health can take potent action to create a culture of innovation within the system.

CHAPTER 5: LEADERSHIP MANDATE (PILLAR #1)

Superior Health has an interest in innovation, not a clear mandate. What is evident from the interviews is that leadership is seen as receptive to improving existing innovation practices. One person said, “There is good support from leadership for alternate methods.” Another said, “I think we have a senior leadership team that is tuned into ensuring that we have resources to provide the care and get the job done.”

Of those interviewed, not one person specified that their accountability was innovation. Missing at Superior Health is a clear mandate for innovation, a declaration that is recognized across, through, and bottom-to-top that innovation is critical and necessary to the strategic future of the system. According to some in executive leadership, at Superior Health everything is a priority (and, thus, nothing is a priority).

While there has been definite improvement, one leader stated, “We really don’t know how to prepare people for what’s coming.” The future is calling for what has not been done before: innovation. It is imperative to build a sustainable culture in which innovation can flourish.

Today at Superior, innovation happens in a context of improving the business as it is currently known — what Insigniam calls Horizon 1 innovation — rather than in the reinvention necessary for Superior Health to fulfill on its strategy. Organizations that outperform their peers invest in a portfolio of innovations across three horizons:

1. The core business (Horizon 1)
2. Adjacent markets to the core business (Horizon 2)
3. Transformational business models which may be in completely new realms, services, or markets (Horizon 3).

Top-performing organizations allocate their investments over all three horizons: 70% in Horizon 1, 20% through Horizon 2, and 10% across Horizon 3. (Nagji and Tuff. “Managing Your Innovation Portfolio.” *Harvard Business Review*. 2011).

Below are examples of innovations within each horizon:

- **Horizon 1 Core: Improve How Today’s Business Performs**
Better MRI machines, remote pacemaker monitoring, simplified billing processes, or performance management
- **Horizon 2 Adjacent: Expansion into New Categories**
Adding new specialties at a hospital, community education, or an outpatient facility
- **Horizon 3 Transformational: Entirely New Business Models**
Opening non-tertiary facility care, creating pharmacy-based “one minute clinics,” or reading X-Rays for patients in remote geographies without access to equivalent levels of care

CHAPTER 6: DEDICATED INFRASTRUCTURE (PILLAR #2)

There is no one-size-fits-all recommendation for corporate infrastructure to implement innovation. Every corporation is different, sometimes radically so. Moreover, as is the case with infrastructure, systems, and processes, what works in one place may not work in another given the different organizational culture, business approach, or network of conversations.

It is clear that for innovation to thrive there are clear and necessary elements of a dedicated structure that are necessary for success. Those include:

1. A clear and established organizational home
2. The necessary and sufficient resources with which to operate
3. A set of clear and specific metrics to assess performance
4. A register for the value generated by the innovation work

A CLEAR AND ESTABLISHED ORGANIZATIONAL HOME

A clear home is needed in both an organizational accountability context, as well as a physical context. It is our assertion that since innovation is not about any particular element of the enterprise, the person accountable for innovation should report to the chief executive officer. To have innovation report to any of the functional silos would place more emphasis on that function, which may not be warranted.

The location of the innovation function is handled differently by different enterprises. Procter & Gamble set up their Corporate New Ventures group on their main campus. Barclays sent the developers of iShares, down the street away from the daily activities of the corporation. The Mayo Clinic's SPARC Clinic is located where the urology clinic was previously located.

Regardless, it is important the innovation group have its own space. Let the group design the space to fit their working style, which will likely include flexible, comfortable, stimulating common space in lieu of typical corporate-gray cubicles. Whatever space is selected, ideally it is capable of accommodating thousands of sticky notes and loud noises, the most prevalent tools of innovators.

THE NECESSARY AND SUFFICIENT RESOURCES WITH WHICH TO OPERATE

People, property, and funding are key resources for integrating innovation into an organization. Because innovation is a cross-functional effort, it requires representatives from each major functional group. If the innovation group is not a full-time accountability, it is critical to have a commitment for a dedicated allocation of each of the group member's time during a given week or month. If it is a full-time accountability, consider carefully both career path and compensation to ensure you get the strongest people possible for the group.

As for the type of people, it is not necessary to staff only with “creative” people. Dr. Sutton of Stanford believes that innovation requires “a few grumpy and pessimistic people as they are better at finding flaws, pulling the plug on bad ideas, and not throwing good money after bad.” A team diverse in thought, perspective, experience, point of view, and approach who are all comfortable with ambiguity and possess the collective skill set necessary to gather insights from patients and other sources and implement new strategies is critical. For Superior Health, like many organizations, the operative word from the list above is ‘implement.’ As one Superior Health leader states, “The support is endless. The resources are there, execution is the challenge.”

Determining funding levels is another major resource component. We suggest two approaches to answering this question. First, ask how much the organization would be willing to spend to identify a new business capable of generating yearly revenues equivalent of 1% of the annual operating budget. Secondly, consider how much money is currently allocated to new services and then pool funds to provide focus to the work. Whatever approach is used, the organization will align on the appropriate amount quickly over time as the enterprise learns of the value of both innovating and the innovations that come from the group. Start small, experiment, learn, adjust, and then experiment again.

A SET OF CLEAR AND SPECIFIC METRICS TO ASSESS PERFORMANCE

Some see innovation as a fuzzy process of creative people where nobody is quite sure what happens inside or when results can be expected. Such a view is not indicative of a strong innovation function within an organization.

Though scheduling creativity, insight, and brilliance might be difficult, new business opportunities do not simply emerge from a vacuum. They evolve from action and iterations, which can be tracked and measured.

Innovation is a progression of outputs leading to new learning and ultimately to new business opportunities. For example, once strategic frontiers across all three horizons are identified, they can be tracked. Each insight gained represents a value in the marketplace. Insights can be placed in a database where they will continue to have value until the marketplace changes. The total number of insights generated per year can be tracked and managed. Other examples of metrics include the total number and balance of new business concepts, and of course, the number and value of new businesses implemented.

A REGISTER FOR THE VALUE GENERATED BY INNOVATION WORK

When first considered, good ideas may seem a bit wacky and their fulfillment unlikely. Later, when they are transformed into a successful innovation project, everyone says, “Of course. You just did A, B and then C.”

A danger of any innovation initiative is that the value generated by the initiative will disappear into the P&L statement. To track progress and provide support for the initiative and to reduce corporate gravity and correct corporate myopia, a register for the value from innovation is

critical. This register should be managed by the OIC but calculated by the CFO. It should be public and should be regularly reviewed by the executives.

A CASE STUDY FOR INNOVATION

The Mayo Clinic has SPARC and the Center for Innovation. The Cleveland Clinic has an Office of Patient Experience with “a \$9.2 million annual budget and 112 people, including project managers, data experts, and service excellence trainers. Its accountabilities include conducting and analyzing patient surveys, interpreting patients’ complaints, administering ‘voice of the patient’ advisory councils, training employees, and working with units to identify and fix problems.

Superior Health is currently on the first step of the innovator’s path, ad-hoc innovation. Innovation takes places within task forces and committees. Each team determines its own process for identifying opportunities, creating solutions, and implementing the innovations. That said, in our interviews, people at Superior Health report they do not have time for innovation, even though innovation may in fact save time.

We assert that what is missing at Superior Health is a dedicated time and space for innovation. At Mayo Clinic, this space is known as the Center for Innovation. Mayo says, “Like a giant incubator, the center offers a unique space within Mayo Clinic for nurturing new ideas, enabling them to grow, mature and evolve until they are ready for patients.”

At Superior Health, new ideas and processes are tried out on the hospital floor and they either fail or succeed. Not surprisingly, people at Superior Health worry that if they change something and it does not work, it may have dire consequences for patient health. Ergo, few people take any risks. With a proprietary process for innovation in place, however, Superior Health can first prototype new ideas in a safe environment, going through multiple iterations to learn what works and what does not work, before implementing a new idea with patients. Rather than being a negative, in innovation, realizing mistakes quickly and learning from them provide useful insights for further innovation.

In summary, Superior already has pieces of the infrastructure. Black Belts are a potent resource for innovations in quality. Breakthrough Masters can lead breakthrough projects to execute innovation and continue to build a supportive culture. If added to new capabilities in creativity and prototyping along with an Innovation Leadership Council, these can be integrated into a new Office of Innovative Care.

CHAPTER 7: SUPPORTIVE CULTURE (PILLAR #3)

An organization's culture — its values, beliefs, and norms — is critical to innovation. Organizations vary in their ability to innovate depending on the interplay among several key success factors. When effective, these factors help support an innovative culture; when absent, they present barriers to innovation.

*“Creating a Culture of Innovation”
Agency for Healthcare Research and Quality*

The executives and employees of Superior Health see themselves as caregivers, responding to the needs of their coworkers and patients. A significant number of people surveyed said “caring for patients” was what most satisfies them about working at Superior Health. The most-mentioned strength of Superior Health was that people cared about each other. However, there is a lack of a supportive culture on the part of some employees and some of the physicians. Successful implementation of strategic innovation efforts require the alignment of all constituents involved as people generally support what they help create.

As addressed in earlier parts of this assessment, Superior’s organizational culture is strong in so many areas. Frankly, it is ripe and ready to be leveraged to significantly up the level of impact the organization is able to make. The preparation and transition to “the New World” has already prepared people for a big change; Superior would be foolish not to leverage that to drive innovation into all parts and places of Superior Health.

A CASE STUDY FOR INNOVATION: KAISER PERMANENTE

Consider Kaiser Permanente and what got created from their leveraging of their own culture which is centered on the patient and on leveraging technologies and insights to impact care. Recognizing the first of these, Kaiser leaders began to ask, “How do we get closer to the patient?” One clear answer was by looking at those who provide the most care, the organization’s nurses.

The first innovation that came about can be characterized as simply asking the question, “What does a nurse do all day?” Though the answers might seem obvious, some investigation through shadowing painted a different picture. Many nurses were spending a majority of their day not with patients, but on the chores and tasks of reporting and operating within the Kaiser structure and processes. Quickly, a prototype came forward that stripped nurses of anything that was not direct care giving. The results were astonishing: not only did care quality increase dramatically, costs were reduced as waste was eradicated from the nurse’s day and satisfaction of the nurse population rose as they were being allowed to do what they do: care for and love on patients.

PHYSICIAN ALIGNMENT AND PARTICIPATION ISN'T YET A BURNING PLATFORM

One employee shared during the interview, “Physicians are very independent and they are very reluctant to partner with big brother, the health system, because they will be told what to do.” We assert that the reluctance of physicians to partner with the other constituencies at Superior Health results from distrust between the two parties. A different individual commented, “Physicians are still suspicious and have issues from the past that they have not let go of.” In any relationship, it takes two to tango.

Creating a supportive culture of innovation is a cross-functional effort and doing so calls forth the need for people from all functions, groups, strata, facilities, and affinities. Enrollment stands at the heart of making the difference, as well as key leaders being willing to take responsibility for those issues that have kept people apart. Superior Health’s transformation has come this far without a completely aligned and cohesive employee/physician/stakeholder body. Putting something at stake — the bold and audacious future to which the organization is committed, could work — that cannot be accomplished as things currently stand will likely generate the possibility thinking, partnership conversations, and decisive actions that will complete for people what is currently incomplete and create a context for extraordinary accomplishment.

CARING WITHOUT ACCOUNTABILITY

When leaders were asked what their accountability is in their role, 41% mentioned patients. Yet, nearly everyone mentioned accountability as a weakness at Superior Health. Many even volunteered that they themselves do not hold others accountable.

The culture of caring at Superior Health seemingly pulls against holding each other to account. One executive admitted, “If we see something and we know it is not fitting in our future, we don’t have the hard conversation to address it.” Our experience at Superior provides Insigniam with the perspective that people in the organization have it that holding someone to account is difficult because, more often than not, people associate ‘accountability’ with ‘blame.’

At Superior Health, the need for individual accountability and effective execution clash with the universal need to care for and be liked. Absent in this cultural framework is the acknowledgement that holding people to account can also be a form of caring and ‘looking out for’ other people. As one Superior Health leader puts it, “In the last two years, there has been more of a caring spirit overall for the employees, doing what is right. But, I think leadership lacks some very strong accountability for making sure we listen to and address the things that really slow us down operationally.”

Accountability will be a necessary ingredient for successful innovation. It will allow one to make choices and place bets for the future intelligently and strategically. Without accountability, no one knows what changes are actually producing value.

CHAPTER 8: PROPRIETARY PROCESS (PILLAR #4)

In terms of innovation, Superior Health's executives seem to look outside of their organization for the insights, the ideas, and the innovations that will make the difference for the system. Simply, people are looking outside for *the answer*. People are looking for answers to adopt as if those answers actually existed. This is a search for *the future* as if it already existed somewhere out there and is costing the executives the opportunity to empower and enable the organization to boldly invent the innovation future for Superior. By taking on building an innovative future, Superior Health would end up with its own proprietary creative innovation process, a potential source of competitive advantage.

Trying to predict the future is like trying to drive down a country road at night with no lights while looking out the back window."

Peter Drucker

An important leverage point for enrolling the people of Superior Health into the possibility of innovation as a way of working is the reality that innovation is very much a process which is a good fit with what employees already know. There are steps, there are structures, and there are particular actions and conversations to take and have.

At Superior Health today, there is no dedicated time for innovation. The biggest obstacles mentioned in fulfilling on one's accountabilities were not insufficient resources or lack of talent, but rather lack of time. As one person said, "Everyday is filled with meetings. I do not have control over my work or building innovation time into my thinking, my week, or my reading..." And that was from someone who knows that innovation is important. We tend to work on those things that occur as important to us. Constituting innovation as Superior's proprietary process will support people in investing some of their time each month in fostering innovation.

CHAPTER 9: CONCLUSIONS AND RECOMMENDATIONS

The fundamental shift in healthcare is toward managing community health in new ways, many of which will take place outside the traditional hospital setting. Predictably, hospital systems will transform into healthcare systems that support wellness and pre-emptive care, rather than merely caring for the sick or injured, providing acute care. Succeeding in this new space requires a newfound intimacy with patient needs that are not constrained by the traditional way of providing care. Superior Health has been so successful in beginning this transformation, although probably not at a rate that is consistent with its commitment to being a national leader in healthcare. Superior has already built some strengths for, and eliminated some barriers to, effective innovation.

The best way to predict your future is to create it.

Peter Drucker
Author (Deceased)

We propose that the next step is creating a bold, inspiring, and challenging future for Superior Health, a future in which Superior Health is causing health and well being in the communities that it serves and is leading other healthcare institutions to a healthier America. Our assessment is that Superior's executives are looking for answers that do not exist and are thereby missing a once-in-a-lifetime to seize the reins to create and innovate the future of healthcare—a bit like looking for gold in a silver mine and missing the fortune underfoot.

The future is uncertain, unknowable. The future cannot be reliably predicted. But unknowable and uncertain are different than unfamiliar. This is the clearing for creating a bold, inspiring and challenging future.

The main thing is to keep the main thing the main thing.

Stephen Covey
Author (Deceased)

Engaging and aligning the people of the organization to act effectively and consistent with succeeding in that future and to innovate new ways to deliver top tier outcomes at lower costs, people at Superior Health need to be operating consistent a new *main thing: delivering better outcomes and more value for the patient and the patient's family*. **We recommend that executive management design and commit to a new main thing and then educate and enroll the people who are Superior Health in the main thing.** (note: the italicized phrase in the previous sentence is a straw man, not a recommendation)

This main thing will usurp internal reporting procedures, budgets and financial hurdles and, even, meeting triple-aim metrics as primary decision-making criteria. Instead, working to deliver increasing value to patients and their families—whether that is in the traditional hospital setting or in an as-yet undefined space—will be the benchmark to which all work is measured and prioritized. When people are clear about the main thing, they will be more able to intelligently make decisions about the work they do and to make improvements in the value that they provide to patients.

The main thing is the main thing.

Rex Tillerson
CEO & Chairman
ExxonMobil

Aligning on this new main thing will bring up a common and consistent question for thousands of people at Superior Health: “How?” Organizing around delivering patient value entails an entirely new way of thinking and acting for Superior, one that will make current elements of the organization redundant or obsolete and that will require inventing and installing new organizational elements. New healthcare ecosystems call for new priorities, new ways of acting, new structures, and new approaches. The answer to “How?” is simple: innovation.

Below we make several recommendations for action to support Superior Health in transforming itself into an innovative enterprise. The system has the opportunity to catapult itself to a new level of excellence in care, business acumen, results, and sustainable achievement through this endeavor. Taking on this opportunity as a commitment initiates a new era for the organization; the behaviors, mindsets, and approaches of the past will not suffice to have the enterprise fulfill this new aspiration.

The organization—especially executive management—has significant leverage points for fulfilling on this aspiration. These leverage points are elements on which executive management can begin working immediately and, if well executed, will produce immediate results, the value of which will outstrip the cost of producing the results—high leverage moves.

CREATE AN OFFICE OF INNOVATIVE CARE

We recommend Superior Health establish an Office of Innovative Care (OIC) to ensure that efforts, resources, and metrics are managed to deliver *horizon 3* innovation. Adding the duties of creating an innovation machine at Superior Health on top of people’s existing responsibilities and without a dedicated infrastructure to manage that change will slow the rate of innovation.

A rotating body of representatives from across Superior Health's locations and functions could staff the OIC; a successful two-or-three year stint in the OIC could be seen as necessary for career advancement. The chief innovation officer would report to the president or CEO in order to maintain the visibility of innovation efforts. Assuming the president or the CEO is responsible for Superior Health's future success, the OIC will be shielded from the inclination to cut future programs in favor of meeting today's urgencies.

The purpose of the OIC would be promoting, leading, and catalyzing innovation at Superior Health. Proposed accountabilities for the chief innovation officer and the OIC include:

- ✓ Invent, develop, prototype, improve, and then implement a proprietary innovation process for Superior Health
- ✓ Develop, standardize, and document approaches and processes for capturing and sharing patient outcomes and concomitant metrics
- ✓ Ensure sufficient knowledge and ability, money, people, resources and time for innovation across Superior
- ✓ Catalyze innovative approaches for utilizing innovation and design thinking in each group, facility, function, and specialty of Superior Health
- ✓ Act as a clearing house for innovation opportunities that cross functions, locations, and specialties
- ✓ Invent and manage a process for executive decisions for which innovations deserve investment and amounts
- ✓ Measure, record, and promote the value generated by innovation work

TURN ACCOUNTABILITY INTO THE SECRET INGREDIENT

If there is a default way of being at Superior Health (common-to-the-point-of-transparency, appreciated and expected way of conducting oneself), it is undoubtedly *caring for others*. While not detrimental to Superior Health's future, if left unexamined and inviolable, the current condition of *caring* at Superior Health limits what is possible for the organization by limiting people's ability to hold each other accountable.

People tend not to hold each other to account because accountability is confused with blame. And blaming is not caring.

To build an innovation machine that can enable Superior Health to succeed in a value-based healthcare environment, a powerful relationship with accountability is required. By *powerful relationship with accountability*, we mean to say that people understand what ways of being, ways of working and results for which others are counting on them. In addition, people are willing for those who-are-counting-on-them to ask for an accounting of what they have been, done, and produced when it comes time to deliver.

Every element in Superior Health's innovation journey must have an accountable party. Proposed business model changes, quality of the creativity process, the degree to which the organization is enrolled in and effective at innovation, proper work-life balance across groups—all

of these elements require individual accountability. Embedding accountability in people's everyday practice includes using questions such as:

- “Who is accountable? On whom are we counting that X be accomplished?”
- “Did you accomplish what you said you would accomplish? What did you do to fulfill that accountability?”
- “If not, what was missing, that if present would have made a difference?”

TRAIN PEOPLE IN DESIGN THINKING

Design thinking provides people a structure, method, and tools for approaching innovation, creativity, and inventiveness in a manner that, for most people, is new and novel. Design thinking starts with empathy for the customer.

Given the strong scientific (and financial) backgrounds of so many caregivers and administrators, their education leads to prowess in deductive logic, problem solving, the scientific method, and systematized cause-and-effect analysis. Design thinking provides people with a new construct for innovation that empowers their capability and capacity for tackling wicked problems and being able to reframe the same old conditions in completely new ways.

Design thinking will generate a level of empathy for patients and colleagues not present today at Superior Health. It is clear that people care for one another; however, sympathy is not the same as empathy. Design thinking helps individuals experience the experience of others not as a conceptual model, but as an on-the-court phenomenon.

LAUNCH QUICK-HIT INNOVATION PROJECTS

Superior Health's best opportunity to begin succeeding in the changing healthcare environment is through a set of quick-hit innovation projects. These projects will marshal the organization's energy and commitment for transformation, something the enterprise has already proven it can accomplish.

Superior Health's first quick-hit innovation projects will be opportunities to accomplish and learn, as well as generate cash. By virtue of the expertise and commitment of the people at Superior Health, concerted innovation projects aimed at moving the organization closer toward flourishing in a *value over volume* healthcare environment will accomplish something of note. Most importantly, however, quick-hit innovations will be an opportunity to engage in trial and error; or, what is known as in the field of innovation as *prototyping*.

Not only will the OIC be prototyping its creativity process and innovation structure, but the broader organization will be prototyping a new way to organize itself, one that includes accepting the inherent risk (of failure) present in innovating. The purpose of experimenting and prototyping is to manage the cost of failure and to understand what does not work, so that the next prototype is more effective. The context of prototyping is the context for Superior Health to adopt in the early stages of its transformation from volume-based to value-based delivery.

The quick-hit innovation projects will be piloted by the OIC (initially, a project management office) and will have:

- A clear deliverable that, if realized, moves the organization toward value-based healthcare
- Budget and budget authority
- People-hours sufficient to produce the result
- A register to record efforts/accomplishments/lessons

ESTABLISH PATIENT-IMPORTANT METRICS FOR PERFORMANCE ASSESSMENT

You can't manage what you can't measure.

W. Edwards Deming

Inventing new metrics can be a source of competitive advantage. IBM's *mean time between failure*, and Xerox's *click rate* are examples.

The healthcare industry's metrics have not quite caught up to the current era. To lead the shift in healthcare delivery from *volume* to *value*, Superior Health must use a new measure of success.

We propose the OIC implement the following key metric:

$$\text{Value} = \frac{\text{Medical Achievements}}{\text{Total Costs}}$$

In this case, *medical achievements* are taken to mean the sum of the medical outcomes of value to patients produced by Superior Health in a period of time, and *total costs* is taken to mean all the dollars spent on an individual's healthcare services.

In addition, we suggest inventing and adopting a new set of metrics that measure what is important to the patient, e.g., mortality, pain levels, new infections and other complications, and irritation with the process. Caregivers would align on these metrics. The metrics would then be recorded, tracked and made available to the entire organization and the public. Predictably, these metrics will then drive improvements in outcomes, quality of care and costs.

**APPENDIX I: THE TEN DISRUPTIVE FORCES IN HEALTHCARE AND THE IMPLICATIONS ON
THE PATIENT, PROVIDERS, AND THE HEALTHCARE INDUSTRY**

- 1. Transition to value-based reimbursement: provide more affordable, higher quality care at lower reimbursement rates**
 - a. Higher quality and cost containment are now coupled
 - b. Provider accountability for cost and quality of care
 - c. Necessitates population health management methods, processes and protocols
 - d. Evidence driven care is required
 - e. Transparency of cost, quality, and community benefit data
 - f. Must have integrated, aligned, and engaged physicians
 - g. Hospitals Systems are now Healthcare systems that also provide wellness and pre-emptive care, rather than merely “sick” acute care

- 2. Shifting volumes and lower reimbursements**
 - a. Require most systems to take 20 to 40 percent of costs out of the system
 - b. Must identify and remove non-value- added cost
 - c. Using scale to reduce costs and fixed expenses will lead to accelerating consolidation
 - d. Maximize and optimize with creative and reconstituted utilization of assets from technology to facilities
 - e. Develop a portfolio of facilities in the community from non acute to acute that generates greater access at a lower cumulative cost and allows for treating patients at the lowest acuity possible

- 3. Moving from caring for sick individuals to managing the health of a population**
 - a. Insurers will be required under the Affordable Care Act to completely cover such services as annual physicals, childhood vaccinations, and dozens of screening tests
 - b. The federal government is still defining the preventive care guidelines; ambiguity still lies
 - c. The law focuses on prevention and primary care to help people stay healthy and to manage chronic medical conditions before they become more complex and costly to treat
 - d. New private health plans must cover and eliminate cost-sharing (co-payment, co-insurance, or deductible) for proven preventive measures such as immunizations and cancer screenings
 - e. Preventive measures for women went into effects in August 2012 with no cost-sharing

- 4. Advances in Health Information Technology (HIT)**
 - a. Electronic Health records allow for clinical integration
 - b. Full optimization requires developing analytics that leverage and optimize Big Data

5. **Acceleration in introduction of digital health tools, advanced medical technology and medical models**
 - a. Telemedicine, personalized medicine as accepted models
 - b. Diagnosis and treatment is preventative, image based and therefore less invasive
 - c. “Unconstrained connectivity” generated by providers and patients use of mobile devices
 - d. Higher levels of patient engagement in their own health management

6. **Shifting demographics: Older, more diverse, larger income disparities, greater access**
 - a. Providers need to be able to provide the appropriate care in the patient’s cultural context
 - b. Wide range of health needs based on segments

7. **Projected provider shortages**
 - a. Make sure care providers are working to the full extent of their licensure
 - b. Talent management for care providers
 - c. Partnerships to stimulate (early) interest in these careers
 - d. Evolving the care delivery system: more care delivered by other care providers other than doctors
 - e. Creating the right match between the kind of care needed and the right provider to provide it

8. **More informed and involved patients**
 - a. Shift from providing care to health management requires closer communication between pay providers, patients and care providers, especially before acute health care needs arise
 - b. Providers will partner with patients to adhere to recommended care plans, especially as patients transition to post-acute care settings
 - c. Consensus of best practices for developing patient engagement and efficacy metrics are lacking

9. **Increasing government regulation**
 - a. Deteriorating trust between device and bio-pharma companies and the FDA, resulting in slower, more complex approval process
 - b. FDA considering regulating healthcare IT systems, increasing its involvement in care delivery

10. **Shrinking availability of capital**
 - a. Perceived unpredictability of government regulation dampening investment in medical technology and care providers
 - b. Financial difficulties limiting debt capacity for many hospitals