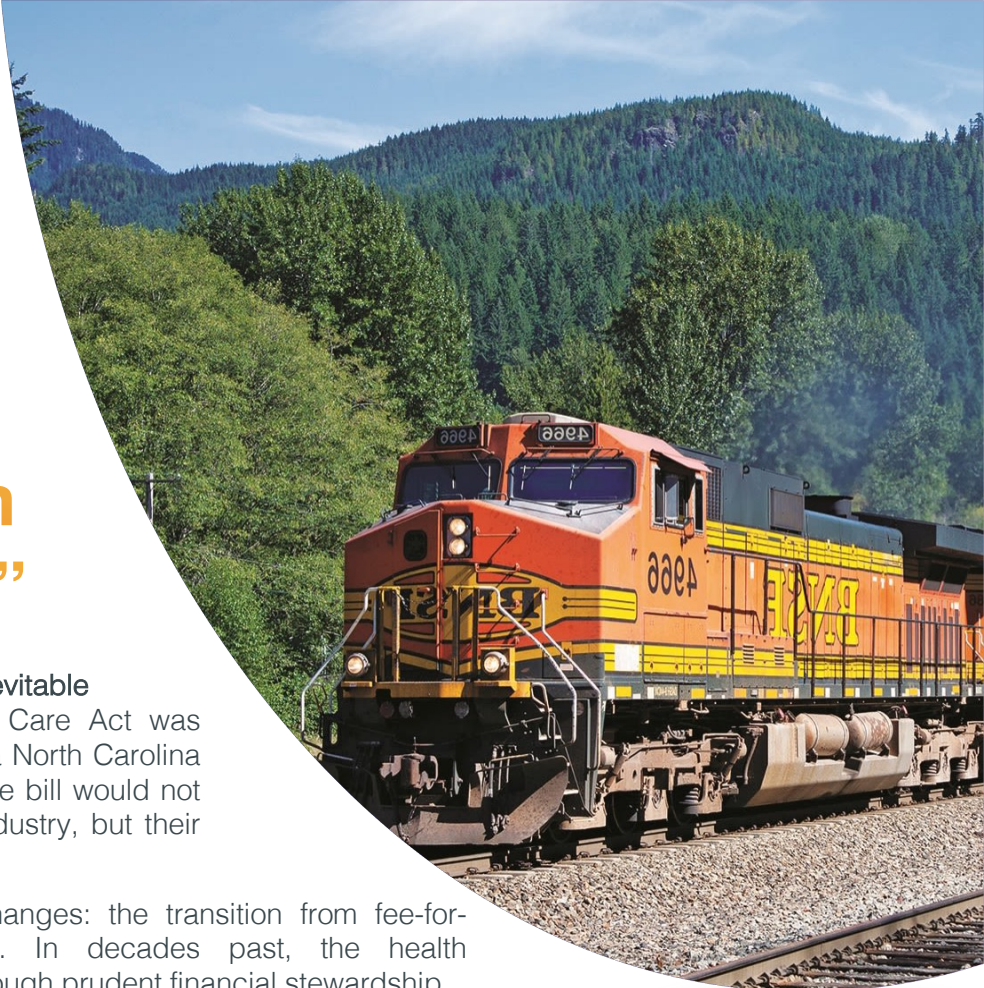


Architecture for Successful Transformation

ENTERPRISE-WIDE TRANSFORMATION

A CASE STUDY IN TRANSFORMATION





“A \$125 Million Freight Train...”

Disruption was Imminent and Inevitable

The signing of the Affordable Care Act was impending, and the C-Suite of a North Carolina health care system knew that the bill would not only transform the insurance industry, but their entire organization.

Among the most disruptive changes: the transition from fee-for-service to value-based care. In decades past, the health care system had succeeded through prudent financial stewardship.

The ACA threatened to disrupt its business model, as payments would no longer be based on the number of services provided to patients, but on patient health outcomes.

The executives referred to the projected decrease in top-line revenue as the “\$125 million freight train.”

A Bold Strategy

The executives, employees, and physicians of the system committed to transforming the quality of care provided to their communities—all while maintaining profitability. The executive team created a bold strategy that they named Triple Aim: to rank in the top 10% nationally in quality, service, and cost.

The executives realized that achieving Triple Aim would require transforming the health system from a run of the mill regional health system into a national leader.

	2010	2015
QUALITY Readmissions and risk-adjusted mortality ¹	Below 50th	90th
SERVICE Voice of the Patient Inpatient HCAHPS ²	22nd	72nd
ENGAGEMENT Confidential Employee Engagement Surveys ³	59th	74th

Percentile Ranking Nationally (U.S.)



¹Centers for Medicare and Medicaid Services
²Press Ganey
³Press Ganey

ENTERPRISE TRANSFORMATION DEFINED

Oftentimes a new direction for an organization requires orchestrating a symphony of initiatives that will ultimately alter the very fabric of the enterprise.

An Enterprise-Wide Transformation intervenes what is predictable and dramatically elevates performance at all levels of the organization during such a transformation.

Transforming an enterprise is the economic equivalent of climbing Mt. Everest: it is difficult, and something can go wrong at any time. However, like climbing Everest, there is a proven approach for transformation that provides immediate, sustainable, and remarkable measurable results.

When faced with transforming an organization, most executives first look at the enterprise's structure: how the enterprise is divided into regional, functional, or product categories, and the associated individual roles.

In their seminal 1980 *Business Horizons* article that first articulated the 7-S framework, Tom Peters, Bob Waterman, and Julien Phillips cautioned: "A single blunt instrument—like structure—is unlikely to prove the master tool that can change organizations with best effect."

Rather, successfully transforming a large enterprise means transforming the culture, strategy, and individuals of an enterprise to be leaders in the marketplace of the future. It requires tackling, in parallel, all three dimensions of transformation.



3 Dimensions of Transformation

Individual Transformation	Strategic Transformation	Organizational Transformation
When one shifts the way in which they view the world, as well as their view of their colleagues, business, and assumptions about how things seem to be, the individual gains access to new possibilities, opportunities, and interpretations that can produce extraordinary breakthroughs in thinking, action, and results.	Most commonly, the speed of change of companies trails the speed of change of the marketplace. Aligning the commitments of the business with the requirements of the existing and future marketplace helps the enterprise be a match for the market and be a leader setting the pace in the competitive landscape.	Aligning the structures, processes and procedures, and corporate culture with a new commitment and future for the business provides pathways for individuals and groups to generate new ways of working, innovative approaches to doing business, and greater opportunity to match the needs of the market and customer.



Does the Culture Support or Thwart the Strategy?

Every organization of significant size—whether a commercial enterprise, a nonprofit charity, or a government entity—operates within its own distinctive culture.

Corporate culture is the singular determinant of an organization's long-term success or failure.

The culture shapes the perceptions, thoughts, and actions of the people within the organization.

In short, corporate culture is whatever is reinforced within the organization.

There are nine facets to how culture emerges in an organization.

For example, customer orientation (what role do customers play in guiding people's decision-making and behavior?), unwritten rules for success (what do people know to be true about succeeding in the organization?), and leadership dynamics (to what degree do leaders address the concerns of their employees?)—just to name a few.

9 Facets of Corporate Culture

1. **Language and the network of conversations:** How do people speak, what they do and do not talk about, and to whom do they speak?
2. **What is actually valued:** What does peoples' behavior suggest is most valued?
3. **Customer orientation:** What role do customers play in guiding peoples' decision-making and behavior?
4. **Accountability & responsibility:** Do people see themselves accountable for tasks, or results? What do their actions suggest they are responsible for, beyond the parameters of their job requirements?
5. **Traditions, legends artifacts:** What gives people a sense of belonging and pride for their organization? What stories do people tell about the past to guide behavior in the present?
6. **Leadership dynamics:** To what degree and in what capacity do leaders address the concerns of their employees?
7. **Unwritten rules for success:** What do people know to be true about succeeding in the organization?
8. **Decision right & processes:** Who makes what decisions and in what capacity do other parties need to be involved?
9. **Legacy:** What are the stories about how the organization came to be?

What Happens When Marketplace Demands Outpaces the Organization?

No matter how successful a company has been in the past, it cannot develop and implement powerful strategies if it is operating with a culture that no longer fits marketplace demands. When the external environment changes faster than the enterprise, the old culture impedes success in the marketplace. Often the corporate culture becomes fixed and unquestioned—the absolute view of reality, how things are. Rather than simply *a* way, the culture becomes *the* way.

A hand with the index finger pointing towards a silver service bell. The bell is on a black base and is reflected on a glossy surface below it.

Why Start with a Transformation Assessment?

The North Carolina regional health care system realized that getting in front of the freight train—making the leap from a regional leader to a national leader, while navigating the changes brought on by the Affordable Care Act—would require making fundamental changes to how they operated. To prepare, the COO suggested an assessment of corporate culture: specifically, which elements of the transformation would support or inhibit the fulfillment of the Triple Aim strategy.

An assessment articulates in plain language the cultural forces that shape people's actions and the organization's business results. The health care system knew that unless the existing culture was revealed and owned, any attempt at cultural change will simply be lipstick on the old culture.

STEP TWO: UNHOOK

From “The Way We Work” to “One Way of Working”

Having identified the existing culture, executive management can then see culture for what it really is—“one way of working” rather than “the way of working”—and then take responsibility for how they, as well as everyone else in the organization, participate in and reinforce that same culture.

At the health care system, the cultural assessment revealed that despite working at a not-for-profit, employees were focused on profit and meeting their budget. This value had served the organization well in the past. The health care system had a long track record of exceptional financial performance and good (not great) service and quality. Decades of solvency had instilled a powerful bias towards fiscal health. Patients were an “of course.”

It was a wake-up call. What surprised executives was that care of patients was a secondary consideration as employees hurried to meet monthly success metrics. Absent was people’s experience of the organization as building something magnificent and the higher calling of serving patients. Left unchanged, executives realized, the corporate culture would inhibit attempts to transform the organization and instead, sustain what had always worked.

The Existing Corporate Culture:

Financially-driven budget mentality

Do a good day's work, patients are an "of course" — no noble calling, not building anything magnificent together

Functional or work group world-view

Fitting-in is critical

Strong and respected management, practice of leadership is not clear and actionable

Too much predicting the rain, too little building of arks



STEP THREE: INVENT

A Transformation that Creates A Competitive Advantage

Once the existing condition has been revealed, only then is it possible to **invent from the future** to which senior management is committed. In this case, the invented culture can be the source of competitive advantage and is not merely an attempt to fix or improve the existing culture. After the cultural assessment, the North Carolina health care system formed a Leadership Coalition made up of not only high-ranking executives, but informal leaders as well—physicians, nurses, middle managers, and frontline employees with significant influence.

The Leadership Coalition was accountable for leading the transformation to support its Triple Aim strategy. It was a pivotal moment, where they began bringing to life a new set of conversations about the future.

To invent a new culture, the Leadership Coalition asked themselves three questions:

1. Where is the market headed in the future?
2. What kind of organization would thrive in that future?
3. What kind of culture would such an organization have?

Ultimately, the Leadership Coalition aligned on a short list of key cultural elements:

1. Reward Results (not effort)
2. Leadership and Vision (instead of just management)
3. Focus on Patients (not finances)

Subsequent teams took those elements and crafted operating principles and practices:

Operating Principles (to guide decision making)	Operating Practices (actions everyone agrees to abide by)
I use evidence-based practices to provide safe and exceptional patient care.	I assume the best intention and seek to understand.
I communicate honestly and directly with care and respect.	I do not gossip; I take issues to the person who can do something about it.
I include people with diverse backgrounds, experiences and points of view.	I do what I say, when I say and communicate.
I see it, own it, solve it, do it and celebrate it!	I thank someone every day.

STEP FOUR: IMPLEMENT

Transformation in Action

The greatest challenge to culture transformation is not inventing a new set of values or desired behaviors, nor is it sharing those values and behaviors with an organization's workforce. The greatest challenge is embedding that new culture in people's everyday work.

Often, executives think that they must decide between the "soft stuff" of culture and the "hard stuff" of strategy, operations, and results. This is a false choice. The best way to embed a new culture into everyday work is through strategic projects that fulfill the new, invented culture. These projects would previously have seemed impossible and can only succeed by operating consistent with the new culture.

There are four pillars to implementing a transformation, each containing its own strategic projects that fulfill the new culture:

- The Keystone Project — a highly visible, high-value project for the realization of a specific, measurable result only possible within the new, invented culture.
- The High Performance Leader — senior executives accountable for the future of the enterprise are coached through individual projects that demonstrate a new echelon of impact and results.
- Breakthrough Projects — initiatives with a specific team or group that have an aggressive and quantifiable goal, one that previously seemed impossible.
- The Enrollment Team — a cross-functional effort to connect with every employee of an organization to roll-out new cultural values and co-create with employees how to demonstrate those values in their work.



ARCHITECTURE FOR TRANSFORMATION

The Keystone Project

A Keystone Project takes its name from the weight-bearing stone at the apex of an arch. Absent the keystone, the structure collapses. At the North Carolina health care system, the Leadership Coalition aligned on employee engagement as the keystone to their new culture and strategy; the leverage point for being a national leader in the Triple Aim of service, quality, and cost.

The Keystone Project leadership team kicked off its work to increase employee engagement by inviting every one of the organization's 8,000 employees to a series of events. Consistent with new culture principles of "Reward Results" and "Focus on Patients," individual employees were acknowledged and celebrated for the contribution that they made, and patients were invited to tell their story. Participants were left with the message: nothing is more important than our people.

The High Performance Leader

The Leadership Coalition also recognized that transforming the organization would require new leadership capabilities. Over the course of several months, a group of 16 key leaders closely examined their own leadership style and came to recognize what would be required of them for the organization to realize its ambitious future.

As a demonstration of their elevated leadership capability, each executive promised to deliver a breakthrough result in their own work. For example, consistent with the organization's commitment to quality, one project resulted in a 40% reduction in hospital-acquired infection. In fulfillment of their commitment to service, another led in-patient satisfaction scores for one hospital to increase from 14th to 71st percentile nationally.

Breakthrough Projects

Next, the leadership coalition commissioned five breakthrough projects intended to deliver significant improvements across operations in length of stay, readmission, physician engagement, safety, and diversity.

In work sessions, team members crafted breakthrough goals and committed results. They started planning with the end goal in mind, and then crafted strategies to get there. In follow-up meetings, the team moved away from hiding problems for fear of retribution, to actively calling out issues and addressing them collaboratively. The results fulfilled commitments to quality and engagement: a 10% reduction in the average hospital length of stay, 38% and 55% reductions for heart failure and pneumonia readmissions, and a 25% increase in physician engagement scores.

The Enrollment Team

What about those not directly involved in or impacted by leadership and breakthrough projects? The Enrollment Team was commissioned to engage these constituencies in owning the new culture as their own.

This team was comprised of representatives from each significant constituency, and they personally spoke to every employee about the new culture, values and operating principles. Among other initiatives, messaging campaigns about the new culture were launched and onboarding practices were changed. The enrollment team served as the "boots on the ground" to reach both employees and patients throughout the organization. The focus on the team was to introduce and demonstrate the new culture in as many different ways to as many different people as possible.



IMPACT: MATCHING STRATEGY & CULTURE

When faced with the need to make bold turnarounds in performance or rapidly transition to meet the needs of a new market, organizations frequently focus on the necessary changes in strategy and omit the changes in culture necessary to realize that strategy. We believe this approach is flawed. The leaders of the North Carolina health care system saw that for any strategy to work, the collective efforts of the people of an organization must be marshalled in its service, and they saw that the organization's historical winning formula would not let that happen.

Culture is that which is rewarded and reinforced, a paradigm through which people see and act. When an organization commits to a new strategy and transforms its culture to meet that strategy, it immediately sees increases in results across the organization. The health care system focused its attention on culture and employee engagement, and what they got were improvements in quality, safety, and patient satisfaction that were impossible inside of the organization's old winning formula.

Ultimately, their effort to invent a new culture aligned with a bold strategy worked.

From 2012 to 2015:

- Employee engagement rose from the 59th to the 87th percentile nationally;
- Physician satisfaction increased by 44%;
- In-patient perception of care increased from the 22nd to the 90th percentile nationally;
- Medical practice care increased from the 37th to the 76th percentile nationally.

Additionally, the health system was named one of just 34 "High Performing" systems nationally (out of 4,700) by *U.S. News and World Report*. Five years after beginning the transformation, they have sustained and built upon those improvements and are now recognized as both a leader in health care in the United States, and an agent of transformation in the industry.

For more information about Insigniam's Enterprise-Wide Transformation methodology and results, please visit www.insigniam.com or call +1 610 667 7822.