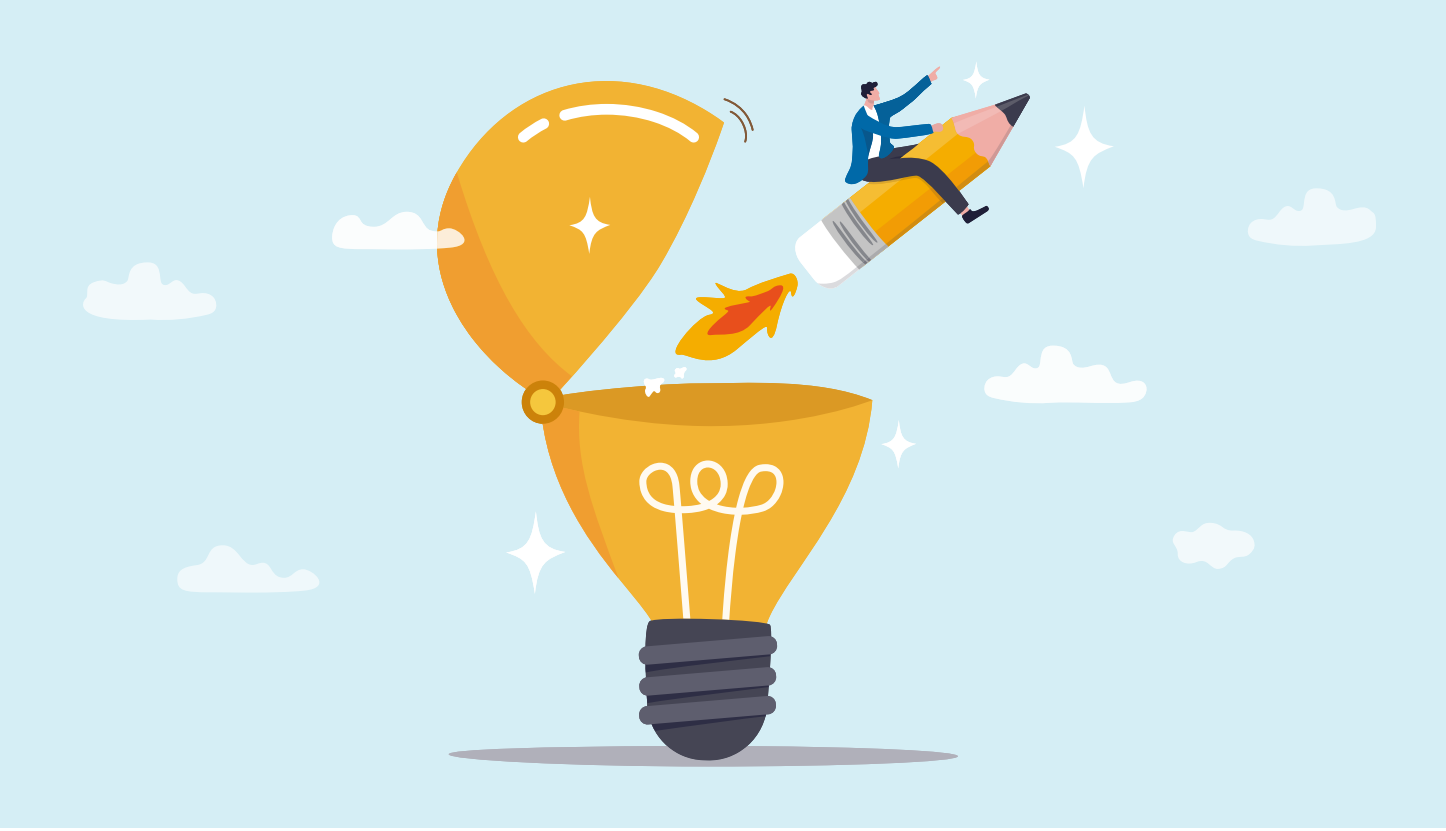
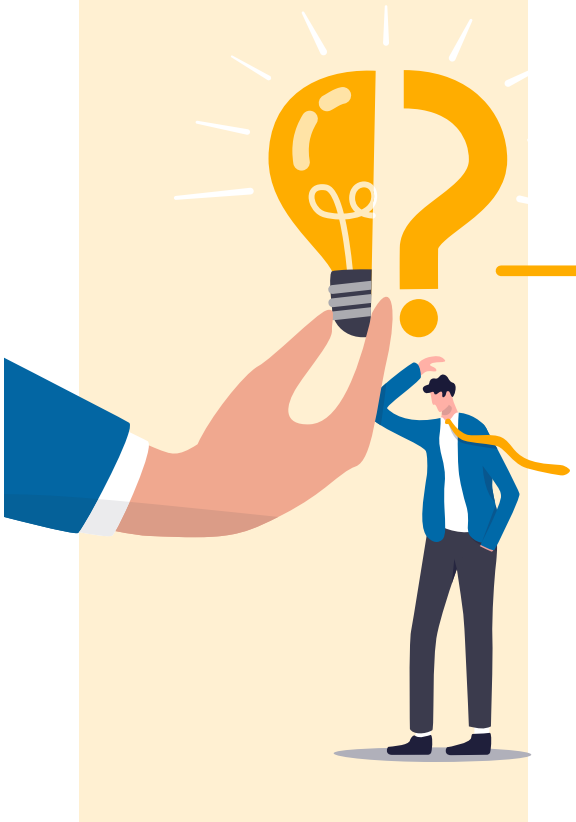
In These Times, Hospitals Need Answers, Not Solutions



By nearly every measure, 2022 was a bad year for hospitals and health systems. The new year promises more of the same, with continuing inflation, stagnant reimbursement, shrinking investment income, fierce competition for outpatient services, clinical staffing shortages, and supply chain uncertainties.

The *solutions* to these challenges are obvious, repeated in articles and podcasts on the future of healthcare: care delivery transformation, productivity improvement, and technology enablement. But the *answers*—how we get from here to there—are more elusive.

Businessman and author Andy Nulman offered a simple illustration to explain the difference between solutions and answers:[1]



Although they're seemingly cut from the same cloth, there's a gaping divide between "the Solution" and "the Answer."

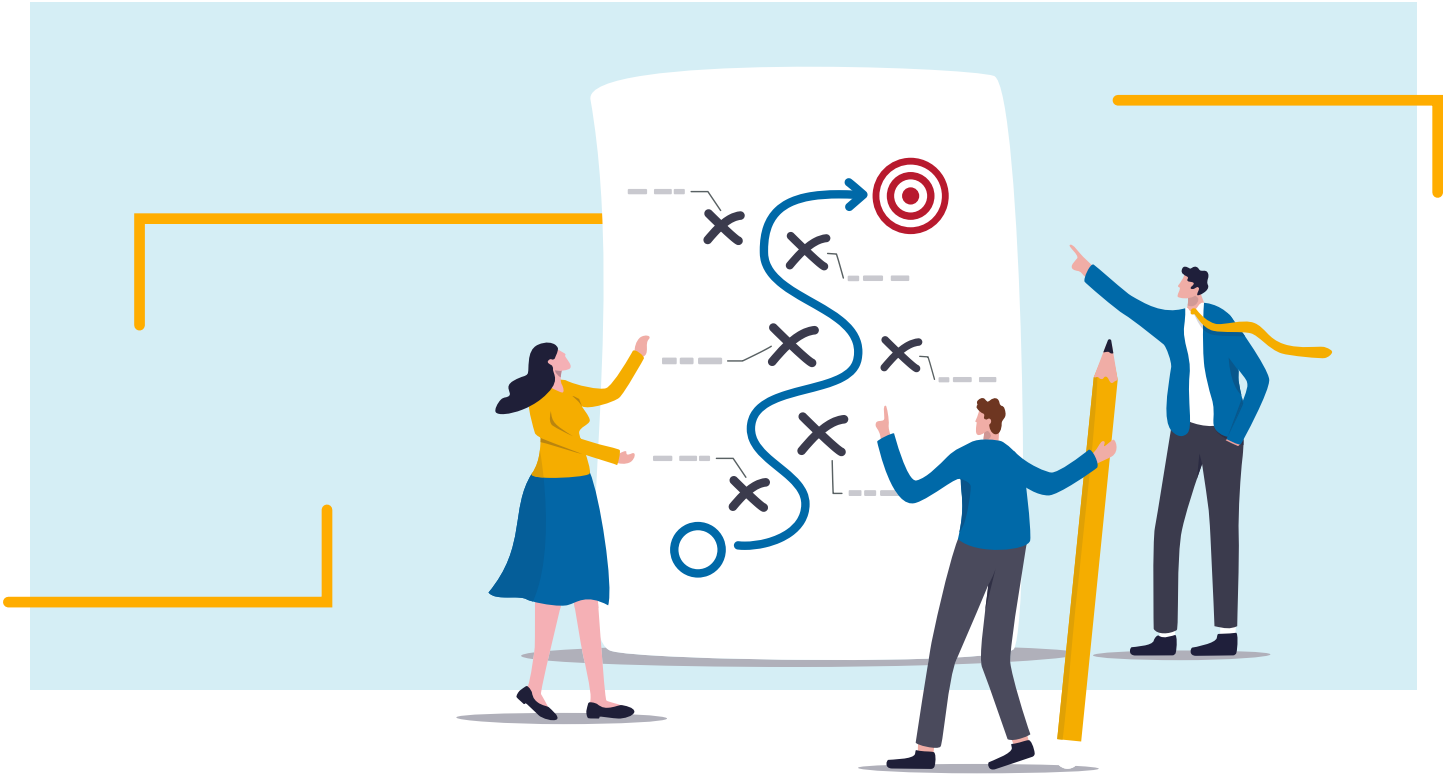
"The Solution" is usually obvious. It's freezing cold and you have to go outside, so what do you do? You wear a coat.

"The Answer" is not a simple problem-solve. Let's say you don't have a coat. Or can't afford to buy one. What do you do then? What options are at your disposal? And do you really even have to go out?

Nulman concluded that "'the Answer' is what separates the contenders from the pretenders…. Put another way, 'the Solution' is surface, school-book theoretical; 'the Answer' is deep, street-level action taking."

To successfully pursue care delivery transformation, productivity improvement, and technology enablement—to *answer* the challenges they now face—hospitals need to more fully develop the skill on which they relied through the COVID-19 pandemic: ***resilience.***

1 A. Nulman, *The Difference Between a Solution and Answer* (Dec. 3, 2012), available at https://www.huffpost.com/archive/ca/entry/the-difference-between-a-solution-and-answer_b_2232100. Nulman's biography is available at https://www.nsb.com/speakers/andy-nulman/.



The American Psychological Association defines resilience as "the process and outcome of successfully adapting to difficult or challenging life experiences, especially through mental, emotional, and behavioral flexibility and adjustment to external and internal demands."[2] In a recent article, McKinsey & Company executives described resilient organizations as those with "a systems mindset emphasizing agility, psychological safety, adaptable leadership, and cohesive culture" whose leaders and teams "quickly assess [challenges], reorient themselves, double down on what's working, and walk away from what's not."[3]

During the pandemic, healthcare leaders again and again rallied around the highest priorities, collaborated in unprecedented ways, and made and executed decisions at breakneck speed. Because they believed the health of their communities and their financial viability were in grave peril, organizations adapted their operations in ways not previously believed possible.

Many hospitals now face their version of long COVID, suffering from the damage the pandemic wreaked on our economy. By facing these challenges directly, resilient organizations will recover more quickly and likely grow stronger, while those organizations that value process over progress will linger.

2 https://www.apa.org/topics/resilience.

3 D. Maro, M. Park, and B. Weddle, Raising the Resilience of Your Organization (Oct. 12, 2022), available at https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/raising-the-resilience-of-your-organization.

Resilience is not a trait; it is a learned skill. In our experience, organizational resilience is the product of culture. Generally speaking, corporate cultures fall into four categories:

THE STRAGGLERS

- Less financially stable
- Resists change
- "Victims"
- External locus of control
- Lack of market awareness
- Difficulty identifying problems/challenges – particularly at the root cause
- Board is disengaged

THE FOLLOWERS

- Less financially stable, or willing to settle
- Frequent leadership turnover (lack of stability)
- Reactive (not proactive)
- Easily distracted by competitor's vision
- Lack long-term strategy (focus on the short term)
- Risk averse
- Can identify problems, but not always solutions
- Board demands stability

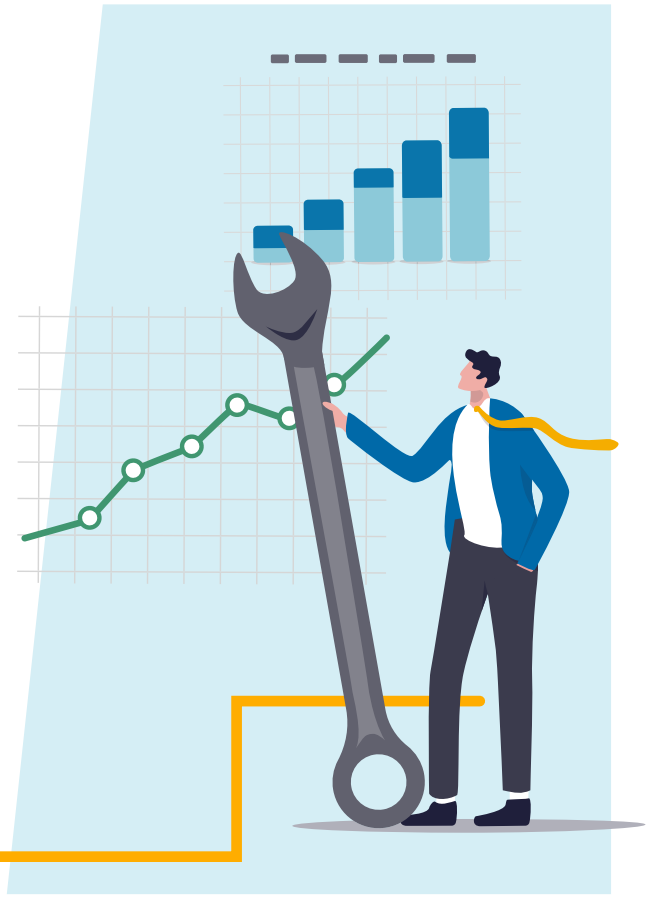
THE CUTTING EDGE

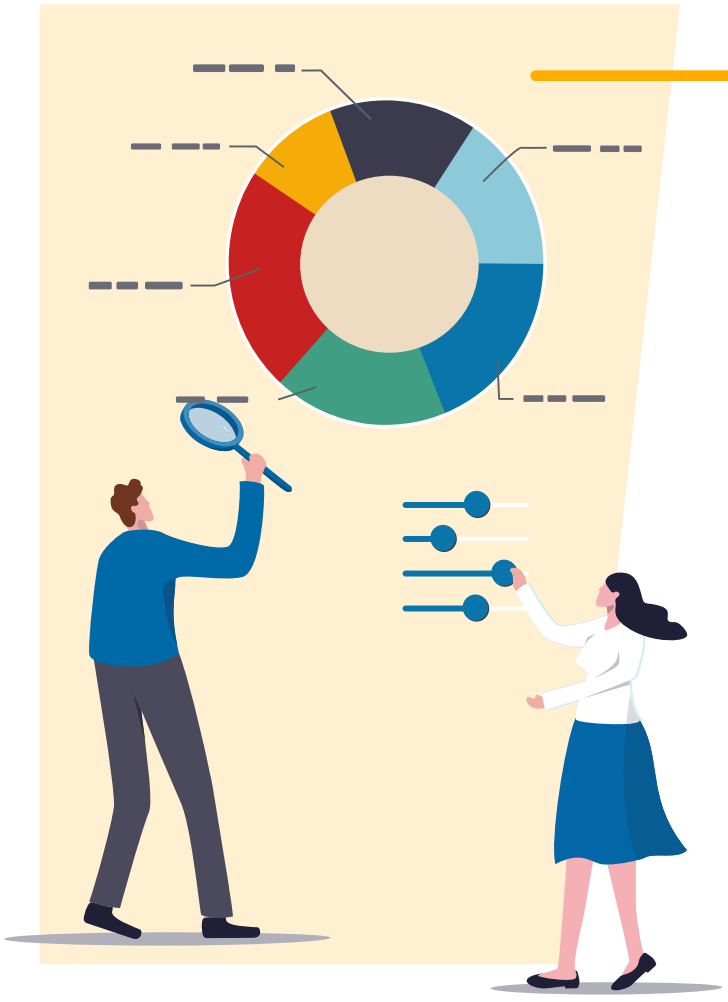
- Competitive
- Mission/Vision-oriented leaders
- Mid-term strategies
- Market aware
- Skilled at solution implementation (but not necessarily solution identification)
- Board encourages management to pursue opportunities

THE BLEEDING EDGE

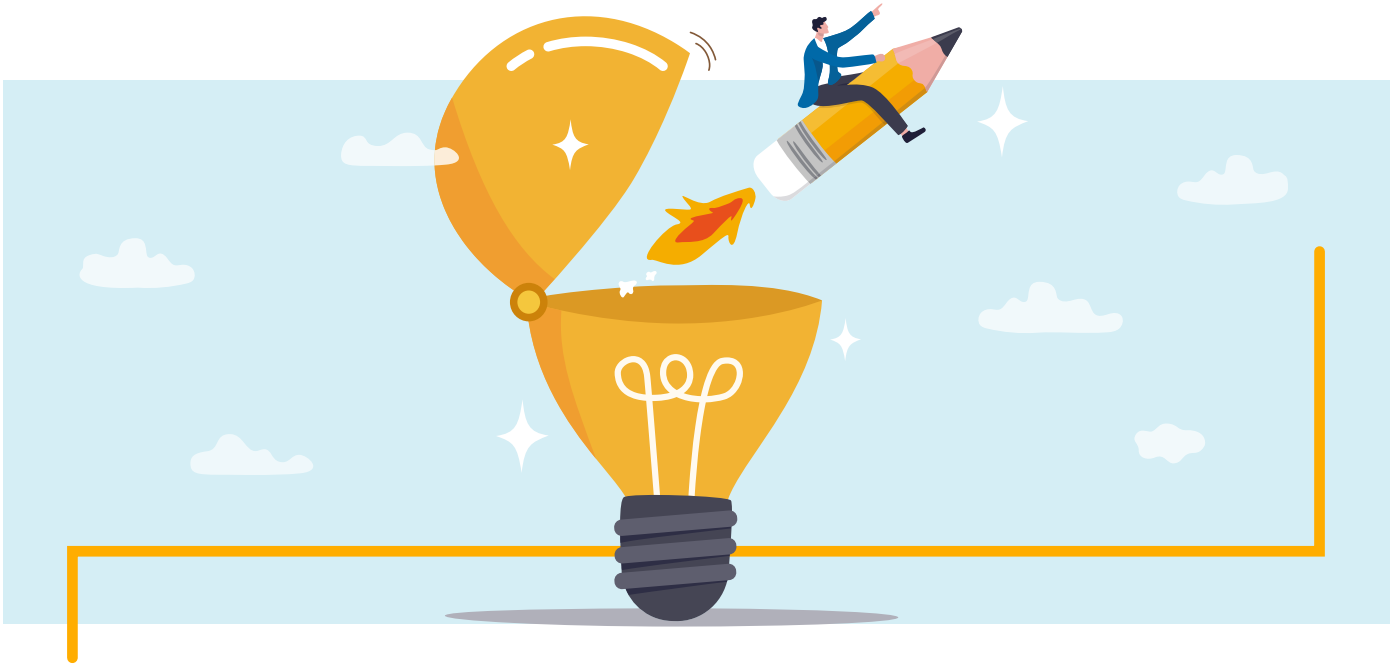
- Flexible
- Risk takers
- Financially secure
- Hardwired resiliency
- Visionary leadership
- Stable leadership (low turnover)
- Long-term strategies
- Internal locus of control
- Proactive
- Solution-oriented/Ability to identify solutions
- Market and industry aware
- Creative
- Board understands and supports leadership's strategy

In the straggler and follower cultures, leaders place a high value on the status quo and equate change with risk. Because these organizations lack the tools to evaluate performance and hold individuals accountable, they do not engage in meaningful performance improvement. In these organizations, change is reactive, driven almost exclusively by legal mandates (e.g., meaningful use), natural disasters (e.g., COVID-19), or a perceived threat of obsolescence (e.g., physician employment arrangements). The budgeting process usually involves relatively minor adjustments to the prior year's spending. In these organizations, individuals who champion change eventually are muted by the culture or pursue employment elsewhere.





By contrast, cutting- and bleeding-edge cultures constantly challenge the status quo and equate change with growth. These organizations subscribe to Billy Beane's *Moneyball* philosophy, adapt or die. They pursue data-driven performance improvement at all levels, propelled by transparency and accountability. Many embrace zero-based budgeting to ensure available resources are used most efficiently. Decision-making processes are well-defined, well-informed, and well-oiled. Individuals who chant "we've always done it this way" find their fears falling on deaf ears.



Advancing corporate culture to foster organizational resilience—and the ability to answer the challenges facing hospitals—are daunting but doable tasks. By way of example, Dr. Reddy's Laboratories, an international generic drug company, changed its culture by identifying a core, unifying purpose: *good health can't wait*.

Rather than simply posting a slogan on Dr. Reddy's website and in breakrooms, leaders across the organization worked to demonstrate this idea in action by selecting projects across channels highlighting agility, innovation, and customer-centricity. All employees were asked to make a personal promise to contribute to *good health can't wait* by calling out organizational "speed bumps" and identifying agile ways to overcome them. Through these concentrated efforts, Dr. Reddy's rewired the organization to become adaptable in the face of a constantly changing marketplace.[4]

This leads us to the $64,000 question: how does one change culture if the current culture is change-resistant? More specifically, how does a hospital reduce costs and grow revenue if its culture resists the change needed to improve the hospital's financial condition? Following Dr. Reddy's example of pursuing projects to demonstrate the value of the "new" culture will be difficult if prior operational improvement initiatives have been unsuccessful. That said, many hospitals simply cannot afford to maintain the status quo and must forge ahead. To paraphrase Yogi Berra: They have come to a fork in the road, and they now have to take it.

But taking the proverbial fork in the road—evaluating the cultural changes necessary to accomplish the changes required—likely leads to new challenges. Why? In a word, subcultures. Executives and operators may find the culture(s) of the department(s) comprising the revenue cycle are vastly different, with respect to change, than the cultures in other areas requiring operational improvement and redesign.

4 *See* B. Walker and S. Soule, *Changing Company Culture Requires a Movement, Not a Mandate*, Harvard Business Review (June 20, 2017), available at https://hbr.org/2017/06/changing-company-culture-requires-a-movement-not-a-mandate.

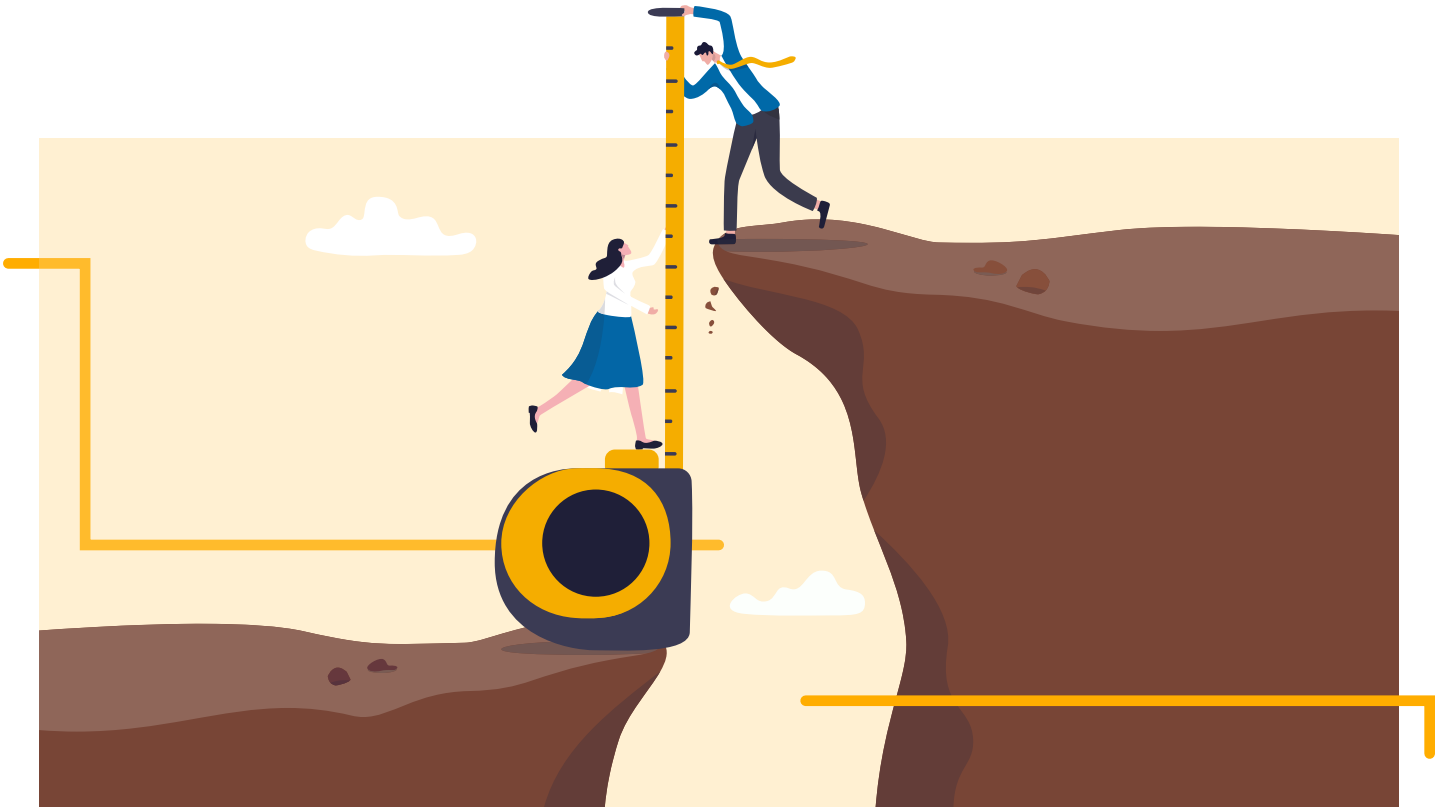
Therefore, when implementing a program of improvement and redesign within a hospital, a “one size fits all” approach is likely doomed to failure, or at a minimum, less-than-optimum results. Leaders must first understand how the cultures within the departments or areas to be evaluated function with respect to change, and then deploy operational improvement plans specific to those cultural needs.

Here are our thoughts on approaching change in different organizational cultures. We hope this will provide leaders a framework to begin evaluating how they might tackle operational redesign and improvement in a more surgical fashion.

In a follower culture, there is a tendency to jump to a solution (often copying what another organization has identified as a successful approach) without first defining the problem they’re trying to solve. Not surprisingly, these solutions don’t stick because they’re not attached to a specific need within the organization.

One step behind the followers are the stragglers. Like followers, stragglers struggle to identify the reasons why the organization is performing poorly. In a straggler culture, however, few solutions make it to the launch pad, given the unwillingness to vary from the status quo.

To drive operational improvement in a follower or straggler culture, therefore, teams should engage in a facilitated process of diagramming existing procedures and practices to spot weak links and opportunities for improvement. Leaders must then challenge the teams to develop practical action plans to seize those opportunities, including timelines and assigned responsibility for completing specific tasks. These plans also should include the measures by which the success of the solution will be evaluated. By employing these processes, a follower organization will not only find solutions that stick; it will also enhance its resilience in the face of future challenges.



By contrast, leaders in cutting- and bleeding-edge cultures need to focus on improving implementation and evaluation of improvement initiatives. Given their willingness to embrace change, these organizations can envision new processes to improve operations. While they can successfully navigate their way to Day 1 (i.e., initial rollout of a new solution), they run the risk of losing interest before making it to Day 101 (i.e., testing, modifying, and hardwiring the solution into ongoing operations). Too often, the latest "shiny thing" draws attention away from this critical work, leaving a solution that doesn't quite meet the organization's needs.

This approach provides both solutions *and* answers. The solutions are the operational improvements—whether they be better clinical outcomes, improved revenue, or reduced costs—realized through successful initiatives. The "slash and burn" approach to operational improvement, implemented by armies of consultants and celebrated in industry publications for years, is now obsolete.

Hospitals now face more nuanced problems requiring them to do things differently. Drawing your team into problem identification and solution design will be a key factor for success. To do that, leaders must understand their teams' cultures and sub-cultures. And by pursuing cultural change, a hospital will improve its organizational resilience to meet future challenges.

PYA is ready to help your organization find answers. For more information, please contact:

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