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About FYA

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With every issue, FYA provides insights into the topics that concern healthcare leaders today and the challenges that will be faced in the near future.

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"Changing the Culture" - The Tools of Agreement

By John W. Kenagy, MD, MPA

My last three columns focused on Learning Linessm - places inside an organization designed to create sustainable innovations. But why create Learning Lines? Can't you just tell people what to do, implement a Best Practice or inspire them to work differently? Recent management research suggests the answer is No, particularly when you need to change the culture.

If a major change is needed that runs counter to your organization's culture (prevailing structure, methods, process, habits, behaviors or values), the primary task of management is to get people to agree to work together in a different, but coordinated, systematic way. Managers are like symphony conductors or architects: they direct the talents and actions of various players to do many different things to produce a desired result.¹

But creating concerted action is difficult; even the most heralded CEO's sometimes fail. In 1999, for example, new Procter and Gamble CEO Durk Jager announced a sweeping restructuring program called Organization 2005 to "change P&G's culture." But not everyone agreed that sweeping change was necessary or that the way to achieve it was to reduce traditional investments in established brands in order to fund new, high growth products. Nor did they agree that cutting over 10 percent of the workforce, or tapping the phones of non-cooperative employees, was necessary.² Just 17 months after taking the helm, Jager was forced to resign.

While not all failures of agreement are as public as Jager's, no manager can succeed without getting people to cooperate in what needs to be done. Managers use many tools to gain agreement: financial incentives, motivational speeches, training, threats and many other carrots and sticks. But which tools should be used, and when?

To help answer that question, develop a graph around how and why people in your organization agree to do things. The X-axis represents agreement on "How" people get things done in your organization - if there is very little agreement on How, your organization is on the left side of the X-axis. And if there is very high agreement on How people do things, you would plot your organization to the far right.

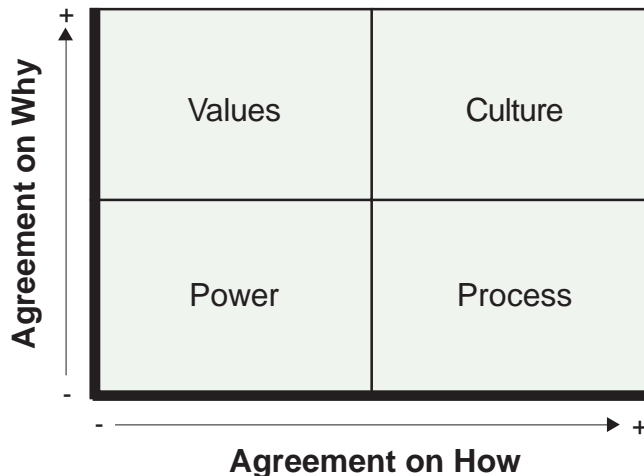
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¹ This paper is based on the work of several people at Harvard Business School including one of my associates, David Sundahl, from when he was a Visiting Scholar at HBS. The initial paragraphs are extracted from Dann J, Sundahl D, Marx M. The Tools of Cooperation, Boston: Harvard Business School Publishing, 9-399-080, rev. February 21, 2005. You can contact David at dsundahl@kenagyassociates.com

² Bennis WG, Thomas RJ. Geeks and Geezers: How Era, Values and Defining Moments Shape Leaders. Boston: Harvard Business School Press, 2002.

"Changing the Culture" - The Tools of Agreement (Continued...)

Tools of Agreement



The Y-axis measures agreement on Why people get things done in a similar fashion; low agreement on Why is at the base of the Y-axis; high agreement is at the top.

Now let's take another look at the tools managers use to get things done. If there is little agreement on how and why things are done, managers must use tools found in the "Power" quadrant ranging from termination, through job descriptions and contracting, to performance-based compensation systems. If there is strong agreement on "How" people work, but less agreement on "Why" we are in the right lower "Process" quadrant. Typical Process Tools include training, process improvement methods (CQI, PDCA Cycle, 6 Sigma, Lean, etc.) and measurement systems.

What about situations in which there is a high agreement around "Why" we do work? "High Why-low How" work is the "Values" (left upper) quadrant. Typical Values Tools include role modeling, salesmanship, mission and values initiatives, setting purpose and charisma. The right upper quadrant

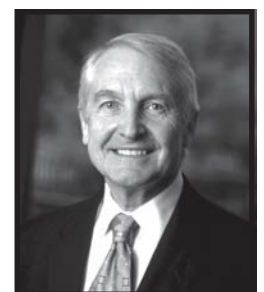
(Culture) represents high agreement on both Why and How. Typical Culture Tools include Learning Lines, apprenticeship, mentoring, tradition, rituals and folklore.

Leaders can use the Tools of Agreement graph in many different ways and we will explore options in future columns. One initial observation - in my healthcare experience, the Power and Culture quadrants tend to be stable, while the Values and Process quadrants are unstable. For example, Process Tools (TQM, CQI, etc.) do not remain in the Process quadrant - they either migrate to Culture if there is strong agreement on Why we work or, much more commonly, transition to the Power quadrant because of low agreement on Why (e.g., "To maintain our quality improvement initiatives we must align incentives and hold people accountable.")

In turn, Value initiatives either migrate to the Culture quadrant, or, much more frequently, need Power Tools (contracting, incentive compensation, role modeling, hiring guidelines, etc.) to remain effective.

Use Tools of Agreement to characterize your current management initiatives. What did you discover? Kenagy & Associates, LLC uses Learning Lines as a Culture Tool. Read one of my last three FYA columns and then ask yourself, "How do Learning Lines work as a Culture Tool?"

What do you think? As always, I'm interested in your comments and questions. How? - Contact me at jkenagy@kenagyassociates.com or David Sundahl at dsundahl@kenagyassociates.com. Why? - That's your question to answer.



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About



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Pressures Building on Healthcare System

By: Rick Kneipper, Chief Administrative Officer and Co-Founder of PHNS

Random samples are sometimes instructive. Consider the following challenging issues that appeared in recent editions of *The Wall Street Journal*:

- "[T]he president is making a big mistake by focusing mostly on cost. The real problem in health care, he argues, is a lack of good information on quality and outcomes." That from well-known columnist Alan Murray in a 2/2/06 commentary, which then said that, according to Harvard's Michael Porter, "[t]he focus... should be on value. Yes, costs are soaring. But the scandal of today's health care is that the quality is often shoddy." Part of their proposed solution- "better information is empowering consumers and others in the health-care system to demand better care." The author's conclusion is that "For President Bush, there's an opportunity in this. The health-care system seems ripe, not for a grand fix, but for a governmental push in the right direction."
- "Over sandwiches the other day, a think-tank scholar was ruminating about the dismantling of employer-provided health and pension benefits. Government, he argued, eventually will have to reweave the social safety net. He was thinking about China. I was thinking about the U.S." In this 4/13/06 commentary, David Wessel refers to the recent, monumental decision of China to stop providing healthcare to everyone, and instead look to employers and employees to obtain and finance their healthcare. As a result, only about 20 percent of Chinese have health insurance. The author's conclusion? That there are three choices for the U.S.- (1) make it cheaper for employers to offer benefits or force them to do so; (2) make workers fend for themselves; or (3) have the government pick up the tab (contrary to the Chinese experience). And then he explains why he thinks none of those options is viable.

- In a 4/13/06 article, William Bulkeley reported regarding Massachusetts' "first-in-the-nation bill" that forces all residents to get health insurance, along with a very controversial provision that would require employers with 10 or more employees who don't provide insurance to start offering it or pay fees of \$295 per employee. Insurers' reaction to the bill was very mixed, but one stated that the bill was "a common-sense approach to addressing the single-greatest strain on the health-care system-the uninsured."

Random, yes, but the theme is increasingly vivid-everyone agrees with the serious ills in our current healthcare system, but everyone seems to have a different cure for these ills. Sounds like we need a consensus on solutions if we're going to make any progress.



I would like to hear your comments.

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About

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FYA - For Your Advantage is brought to you by TrendLeader Connections. The function of TrendLeader Connections is producing educational materials and seminars that help healthcare executives differentiate between fads and trends; and making connections with "Trend Leaders" within the healthcare industry.

We are committed to delivering new perspectives and ideas, creative and innovative healthcare solutions, provocative concepts and quality educational materials to today's healthcare leaders. We want to concentrate on "what comes after what comes next."

Taking Back Healthcare Retail

By Harvey Hartman and Tony Paquin

With consumers' enthusiasm and interest to live healthier lives never higher, it is no wonder that supermarkets, drugstores and other retail channels are working with such fervor to attach themselves beneath the wellness halo by introducing health and wellness products and services into their marketing mix.

Like an armchair quarterback, we can't help but wonder why the one player with all the cachet that traditional retail channels lack is standing on the sidelines watching the game unfold. That player is the hospital. The bastion of all healthcare knowledge, solutions and practitioners, the hospital is the one channel that can bring all its resources to bear to create the one authentic relevant healthcare retail channel and experience that is sure to resonate with consumers regardless of their level of involvement in the world of health and wellness.

While there is no doubt that the idea of "wellness" has the potential to be compelling and meaningful for consumers, how can hospitals set the stage for living, shopping and using health and wellness products and services? In other words, how can hospitals and other healthcare service providers take back by creating their own compelling retail environments?

Currently, consumers do not attach the label of "wellness" to specific products; instead they use "wellness" to describe a way of living. The challenge is to connect the idea of "wellness" to a specific retail experience and to help position healthcare retail stores as providers of wellness lifestyle items.

At its most basic, most American shoppers of mainstream retail outlets view these stores as simply helping them get the job done, providing them with the items they came to buy - food for themselves and their families. However, the traditional retail store currently is not providing consumers with a memorable experience. In this era of an "experiential economy," healthcare retailers should be thinking seriously about how to make changes in their businesses so as to draw in grocery shoppers and provide them with more than just a "functional" moment of their day.

Given consumers' definitions of wellness as an "ultimate, all-encompassing experience" and the general perception of the mainstream retail setting as being very low on the "emotional experience" scale, there is a tremendous opportunity for bridging the existing gap between health and wellness, as it relates to healthcare retail shopping in consumers' minds.

Healthcare retail stores need to communicate with their customers about how the products and services they currently offer, as well as new ones they should be adding, can aid in individuals' searches for and participation in wellness.

The reality of the customer experience

Experience can be the deciding factor in purchase and

repurchase decisions. A good (pleasant, favorable, awe-inspiring, quality, surprising, delightful) experience can lead to trial and repurchase. A bad (poor service, out of stocks, inferior quality and unmet expectations) experience can lead to decreased usage and patronage, brand switching and even customer abandonment.

There are many terms associated with customer experience. A few come to mind, such as: customer intimacy, operational excellence, customer management, customer service, brand leadership, customer satisfaction, customer focused and creating theater among many, many others. But, what exactly is this thing called the customer experience? Can one really get their arms around it, understand it and, if so, just how can it be measured and benchmarked? How do you know if what you've invested in is really working? Are you living up to customer expectations? Do they believe you are delivering on your promise?

Customer experience is more than product or service quality or ambiance. What matters most about "experience" is what matters most to your customers. Creating a compelling customer healthcare retail experience may be sound business strategy, but it will be highly ineffective and a waste of resources if execution does not match customer expectations in terms of relevancy and appropriateness.

In the next issue of FYA, we will discuss specific characteristics of customer experience, and how to form an environment that will create a revolutionary and world class experience for your customers.

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