

The New American Hospital

Creating an Internal Reform Strategy

Special report by Russell C. Coile, Jr.
Senior Vice President, Chi Systems*

"The future never just happens; it is created. Even though change and information are exploding, they aren't going to explode in your organization unless you have an effervescent culture, and managers driving it who are skilled at assimilating and mastering change. There will be no twenty-first century health care in our hospitals unless we learn how to birth it."

—Dr. Clay Sherman, *Creating the New American Hospital*

Restructuring Tomorrows's Health Organizations

(Managed care and the explosion in health technology) provide major stimulus to restructure America's hospitals and health systems. Hospitals must have an internal reform strategy as well as a market alliance strategy. The ultimate winners in the new era of resource scarcity will be those health care organizations that have demonstrated the capacity to provide high-quality, cost-effective, high-satisfaction outcomes.

To be successful in the market environment of managed care and managed competition, health institutions must:

- expand market share through superior quality and service;
- reduce management overhead with a flat structure;
- increase productivity with self-directed teams;
- control expenses within budget;
- reinforce innovation and performance with incentives; and
- reinfuse employees and medical staff with a sense of shared optimism about the future.

The result will be a sweeping overhaul in corporate culture, driven by a radical shift in management philosophy and a permanent commitment to seek continuous improvement at all levels. Clay Sherman, author of *Creating the New American Hospital: A Time For Greatness*, is very clear about the future:

"The American hospital will survive, but it will be transformed and will not be a hospital at all as we know it. What passes for acceptable quality today will be radically eclipsed by higher standards. Today's generation of health managers will have to stop practices we're proud of, in order to find something better."



New on the Strategic Executive Bookshelf

A new prescription has been written for America's hospitals by Clay Sherman, one of the health care industry's most successful organizational development consultants. Sherman's recent book, *Creating the New American Hospital : A Time For Greatness*, is a change agent's manual for reinventing and revitalizing the nation's health care institutions. Sherman calls for a revolutionary approach to hospital leadership emphasizing customers (with a capital "C"), employees (Associates), and a relentless process of quality improvement.

To create the new American hospital, Sherman prescribes seven key results areas (KRAs) for improving hospital performance:

- customer satisfaction
- quality
- people growth,
- organizational climate
- innovation
- productivity
- economics

Sherman's book provides the management fundamentals for surviving the transition and becoming market leaders. The book's 13 chapters are organized into 3 major sections:

1. Building a Brighter Future for American Health Care

Creating The New American Hospital opens with a warning shot: why hospitals fail. In barely 30 pages, Sherman outlines his views on why hospitals are experiencing slumping morale and declining market share (Chapter 1-Why Hospitals Fail) and how to re-vision the American hospital (Chapter 2-Reinventing the American Hospital). If you only read one chapter in this book read Chapter 2. Sherman presents the theoretical structure of his proposals to improve hospital performance through better internal management. The new American hospital is characterized by its beliefs, not its facilities or service mix. In Sherman's new-style hospitals, workers are "Associates" and "Customer" is always spelled with a capital "C."

2. How the New American Hospital Functions

In the five chapters of Part II, Sherman focuses on prescriptions for reinvigorating health care management. At the heart of the argument is Sherman's emphasis on people (Chapter 3-Unleashing People for Contribution). To motivate workers, broaden and simplify their job descriptions.

Service fanatics like Butterworth Hospital's Bill Gonzalez are an inspiration for Sherman (Chapter 4-Delivering the Service Strategy). Managing the service basics is the ground work for becoming a successful institution. Sherman asks, "Does the organization fit



what the Customer wants?" Having defined Customer wants, set service standards, then measure, measure, measure.

More complicated is the search for continuous quality improvement (Chapter 5-The Quality-Productivity-Innovation Equation). Sherman fears that TQM is a fad. But quality and productivity are too important to be slogans. Sherman's grass roots approach is to unleash dozens of Do-It Groups; employees whose assignments are to solve a single, specific problem within 30 days.

Flatter organizations are more nimble and responsive, argues Sherman (Chapter 6-A Streamlined Management System). His proposal is to use defined objectives to identify what each department and work unit will do, then let them do it, putting employee associates on management committees to provide oversight.

The new hospital needs a new organizational structure (Chapter 7-Optimizing Organizational Structure). Sherman prefers to blur the management hierarchy by encouraging associates to talk to anyone in the organization at any time about anything. A new definition of the First Amendment licenses wide-ranging examination of issues and solutions. Most hospitals have too many divisions and levels of managers with corporate titles. There are alternative organizational structures which simplify decision-making and push real responsibility toward the Customer level.

3. Succeeding in Organizational Renewal

Six final chapters provide the how-to advice on implementing Sherman's ideas for organizational renewal. The process begins with executive leadership (Chapter 8-Leading the Transition). Executives need a combination of horsepower and vision to get the hospital jump-started toward new goals. The 90s executive must be a combination of listener, servant, cheerleader, and visionary. The management team must provide the muscle, which Sherman would build by both developing the team's management skills and confronting resistance and removing uncommitted managers.

Organizational renewal is about change (Chapter 9-Managing Wide-Scale Change and Reconstruction). The task is formidable. Confusion, chaos, and widespread resistance are likely. Executives must use a more participative approach to get institutionwide commitment to the need for change, then turn middle managers and associates loose in teams to define new pathways.

Managing the change process is a complicated and high-risk process (Chapter 10-Preparing for Transformation). The executive as change agent must assess the organization's readiness for change, the senior management team's leadership potential, and the morale of the rank-and-file Associates. Changing the corporate culture begins with the thought leaders in the organization whose leadership will be critical in developing the new strategic business focus.



Implementation is the crucible for organizational renewal (Chapter 11-Implementing the Renewal Strategy). Transformation will occur following a predictable implementation pattern. Sherman supplies the rules and the organizing structure of interlocking committees to facilitate the process of instilling the new vision and values.

Boosting the renewal process will be necessary to maintain momentum (Chapter 12-Accelerating the Change Process). A program of re-targeting and re-tracking will help sustain the change process once the euphoria of early successes begins to dissipate. There are common problems of implementation to be overcome, from a lack of executive leadership to inadequate performance by change-agents or consultants. The secret is deepening and intensifying growth among managers and associates.

With success should come the rewards (Chapter 13-Driving Change with Rewards). Sherman starts with the Thorndike Principle: Behavior that is reinforced is likely to repeat. The three Rs of performance incentives are recognition, reinforcement, and reward. There are many potential incentives. Success is fun, so celebrate.

First the Plan—How to Restructure for the Reform Era

To develop the organizational self-discipline to meet the coming challenges of managed care, the CEO and senior management team must develop a plan of action for the hospital or system.

1. Assess the Corporate Culture and History

- Does this model fit what your people believe and what the market wants?
- Does the CEO have the desire, passion, and vision to lead major change?
- Would executives be supportive and open to criticism and participation?

2. Create a Battle Plan for Change

- How will the change be implemented?
- Think through the sequence, content, calendar, and sociology of change.
- Set up coordinated groups and processes to steer the change effort.
- What tactics will be pursued?
- What problem priorities will be established?
- Move early to minimize restrictions on policy, procedures, and authority.

3. Commit the Generals, Train the Officers, and Enlist the Army

- Initiate major management development and redefine managerial roles.
- Push forward against the status quo and problems.
- Organize everyone in groups. Involve a high percentage of people during the first year.
- Zero in on team-building needs, socialization, and friendliness.



4. Focus on the Important Issues

- Build the management machine. Do away with the old system.
- Remove associate irritation early. Stabilize job security and rein in restrictive personnel policies.
- Begin longer-term development processes and job expansion.
- Remove customer irritations. Move toward zero defects.
- Begin smoothing operations by attacking systems, quality, and productivity problems.

5. Deal with Change Elements and Problems

- Kill off old hospital restrictions and demonstrate the new culture.
- Drive change with values, measurements, and rewards.
- Blur the chain of command, set up new structures, and control the dan agendas.
- Pursue symbolic wins and quick fixes to set the tone; publicize victories.
- Use intensive communication and heavy internal marketing to reduce confusion.

6. Initiate New Measurement Systems and Establish Reward Systems

- Run periodic audits and attitude-opinion surveys. Ask, "How are we doing?"
- Restructure compensation packages and reward systems to drive change.

** Reprinted from Hospital Strategy Report Vol. 5, No. 11 with permission from Aspen Publishers Inc.*

