



This case was excerpted from a Harvard School Of Public Health case study authored by Jane Roessner, Ph.D., as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

CASE: SPARROW HOSPITAL: ORGANIZATION TRANSFORMATION (PART B)

New CEO Background: Although the name Joe Damore may have been a mystery to Sparrow Associates who gathered that September day for the announcement of the new CEO, the Michigan health care community was familiar territory to Damore. Just prior to coming to Sparrow, Damore had been Executive Vice President of the Sisters of Mercy Health Corporation's Western Michigan Region, responsible for directing the delivery of health care services in seven hospitals. Before that, he had run hospitals in Greenville, South Carolina, and Youngstown, Ohio, seeing them through cultural transitions not unlike the one underway at Sparrow. The Sparrow Board had been looking for a CEO with experience in a variety of healthcare settings, "someone who," in the words of the Board Chairperson, "recognizes that there is great pride in the organization, yet at the same time someone who is willing to address change head-on. In Joe Damore, we got it all."

Assessment: When Damore arrived at Sparrow Hospital, the prevailing emotions among mid-level managers and executives ranged from "fear" to "panic." In an organization unused to major change, people feared that Damore would come in and begin "swinging the axe." Moreover, Sparrow was protective of its fledgling new culture. The organization had worked hard to change, and people were concerned that the new CEO would not understand or embrace the culture and values.

When Joe Damore took over as CEO in October, 1990, the first thing he did was conduct an "assessment" of the culture of the organization. Over a period of three months, he interviewed 100 people, including physicians, Board members, community leaders, and managers, asking them for their opinions of Sparrow's strengths, weaknesses, and future direction. The interview process gave Damore an opportunity to establish a personal connection with representative members of all constituencies of the hospital community, and to begin to plant the seeds of a vision and direction in which he wanted the hospital to go.

Damore describes the picture of Sparrow Hospital that emerged from his 100 interviews, and the culture that prevailed at Sparrow prior to TUL:

"I heard from people that Sparrow had what I call a traditional hospital culture. The environment was paternalistic: management was fairly centralized, middle management was not empowered or developed to a very mature state. The



relationship between hospital administration and physicians was fairly polarized. Physicians practiced medicine, hospital administration managed the hospital, and the two did not mix. Physicians were not well informed of prospective actions. They felt they were asked for their opinion after the decision had been made, and they resented that. There was no strategic plan circulated widely; at best it was in the minds of one or two people. The Board was not being utilized to the degree they wanted.”

While Damore recognized the positive change in culture which had begun with the introduction of the TUL program in 1989, he could still detect the traditional culture which he and many others saw a need to overcome. Although TUL had been a logical first step, much work remained to bring Associates, physicians, volunteers and board members into the process of cultural transformation. Although Damore felt that TUL was basically a good program, and the “values” important to espouse, he felt that it was crucial to take the lessons of TUL a step further. As Damore explains:

“TUL participants developed the ESPRIT values, but hadn’t clearly defined what those values meant in terms of behavior. A key question needed to be asked: “If you believe in excellence, how should you behave?” Values are the basis of culture, but behavior is the way you translate values into everyday life.

“TUL made things fun for people. Working at Sparrow had been boring in the past. People started to enjoy, to celebrate. I want to take it one step further. I’m trying to say to our team, ‘Let’s celebrate successes.’”

Cultural Transformation: In Damore’s view, Sparrow Hospital was ripe for organization and cultural transformation. He had a clear picture (based on the 100 interviews) of what the traditional Sparrow culture had been, of the positive cultural transformation that had begun in 1989, and what he hoped the new culture would be.

- The organization had been focused on acute care; Damore wanted to move toward meeting a continuum of health care needs—health education and prevention, outpatient, inpatient, home health care, and managed care services.
- Sparrow was proud of being the biggest hospital in town, but became isolated in the process, cutting itself off from the larger healthcare community, as well as from the nearby Michigan State University Medical Schools, a relationship that had been polarized for many years. Damore’s approach was to find what was in the best interests of both organizations and the community.
- In the absence of clearly articulated goals for staff members and written assessments of progress towards achieving them, Associate performance evaluations had been based on personality. The idea of moving toward



performance-based evaluation was initially threatening to Sparrow employees; they feared that Damore was going to “chop heads.” However, Damore was confident that once people experienced accountability measures, they would realize that there was far more security in accountability.

- The old culture appeared to have been “passive-aggressive;” people were not used to dealing with and resolving conflict. The new culture would build consensus, with the understanding that to disagree was not to risk one’s job.
- In the old culture, communication was guarded and little was put in writing. Damore set a more open tone of communication by instituting a monthly CEO report to the Board and Medical Staff and openly reporting the latest information and news. In addition, Sparrow’s strategic plan was widely distributed throughout the organization.
- Changes were called for in Sparrow’s relationship with its physicians. In the old culture, with few exceptions, physicians were not included in governance and decision-making. Damore created a planning task force to formulate a “Physician Development Plan” involving physicians as partners with the hospital. More than 100 physicians now actively participate on committees and planning groups.
- Damore described the old culture as “facility oriented.” His focus was to shift from facilities to people and programs; from production to service. The emphasis would be on asking the patient two key questions: “Would you come back to Sparrow Hospital if you had to be hospitalized?” and “Would you recommend Sparrow Hospital to other people?”
- When Damore arrived at Sparrow, he abruptly called a halt to plans for a series of renovations and improvements to the hospital facilities. “Before you do a facility plan,” he explains, “you’ve got to have a program plan in place. I was fearful that we were going to spend money renovating Area A for Purpose A, and later decide to plan to move Purpose B to the same area. People told me the doctors would be on my back for slowing things down. As it turned out, everybody understood and, in fact, supported the idea.”
- Similarly, Damore called a halt to new advertising contracts. “Sparrow was signing contracts for radio and TV with no marketing plan. That’s backwards. We needed to project our image, but we hadn’t decided what our image should be.”

Implementation: In an effort to give more clarity and definition to the values developed through TUL, Damore undertook to have managers develop clear



definitions of the “ESPRIT values,” and to articulate specific behaviors that would be expected and consistent with ESPRIT.

Another of Damore’s major objectives was to bring strategic planning to Sparrow. Starting in August, 1991, each department was required to develop a statement of mission, vision, and goals and objectives consistent with Sparrow’s stated strategic direction. Using the hospital’s strategic priorities for the year as a guide, each department asked, “What can this department do to support the overall strategy for this year?” At first, Associates were skeptical; a typical question was, “Is this going to make more work for me?” In time, most found that the development of goals and objectives led them to think in new ways about the work of their department, and how it contributed to the goals of the hospital.

Assessing the Assessor: The transition to the new culture was not without stress and strain. When Damore arrived and began listening to the Sparrow community, he immediately got feedback such as, “Why is he doing this? Why doesn’t he just tell us what to do?”

Life under the new CEO changed profoundly for Associates, Board members, and physicians. Being an Associate at Sparrow Hospital in the “new culture” demands greater skills and more time. Increased accountability has made life at Sparrow more demanding and satisfying. One nurse explains:

“The old way was easier. Front line people didn’t have to take any responsibility or ownership for making decisions; they could easily put blame somewhere else. You were told what to do, granted, but somebody else did it for you.”

For physicians, too, the demands of the new way of doing things at Sparrow are both invigorating and demanding: “The new management style requires more time from everyone. Now, unlike anytime before, we’re included in the process. But to be involved and have your ideas heard, you have to make time for it.”

Even Board members feel the change: “We have presentations at our meetings, and receive articles, critiques of books and other recommendations for our reading.”

The overwhelming feeling among Associates, physicians, and Board members alike, is that the “new” Sparrow Hospital not only has values, but direction. Just as Damore began by assessing the Sparrow community, he in turn has been assessed by the community he leads. A physician who has practiced at Sparrow for eighteen years sums up the new CEO’s management style:

“He’s open, easily approachable, doesn’t surprise people, tells you what he thinks and wants, doesn’t try to make judgments right away, and wants contribution from as many people as possible. He does make certain that he illustrates the value of things. He never forgets an opportunity to reinforce the value and wisdom of the last thing you did. He emphasizes a team approach to things, and sees to it that the leaders of groups are well informed and skilled. If



they lack skills, he helps them acquire them. He's a workaholic...when you're walking out the door at ten o'clock at night, the odds are his light's still going to be on."

Discussion Questions:

1. Numerous change efforts are introduced when hospitals undergo CEO transitions. What are the costs and risks of a new change direction?
2. If you were to replace Joe Damore at this point, what would you do?
3. How can Damore maintain the positive organization climate and momentum in a dynamic healthcare environment?
4. What factors can't be managed when leading organization change? What would you do about these factors?

Postscript: Joe Damore's successful tenure at Sparrow came to an end in 2004 when he was selected to be CEO of Mission Hospitals (Asheville, NC), a larger system and a Top 100 Hospital. Interestingly, that organization had also gone through the TUL process several years ago which served to elevate organization performance. What approach will Joe Damore be likely to follow this time?

Meanwhile Sparrow's COO, the executive that had so passionately pushed for reform before Damore being chosen from the outside, has been appointed as Acting CEO at Sparrow. He is the leading candidate to become CEO.

