OBJECTIVE HEALTH™
A MCKINSEY® SOLUTION FOR HEALTHCARE PROVIDERS

70% of Strategic Initiatives at Hospitals Fail – How to Make Yours Succeed

Webinar
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Contents

Challenges and Approach

Presenter: Gauthier Van Eetvelde, McKinsey & Company

- **Challenges and Approaches**
- Formal Systems and Processes
- Provider Case Study

McKinsey has invested in years of learning to uncover the key to successful transformation

311,000 **Respondents from more than 400 organizations** completed our organizational health survey providing the inputs for McKinsey's Organizational Health Index (OHI) database

6,800 **CEOs and senior executives** completed surveys regarding their experience with transformational change

900 **Academic journal articles and books** reviewed

20 **CEOs and chairpersons** shared their personal experience with change in face-to-face interviews

4 **Leading academics** reviewed, challenged and augmented our findings

3 **Years** dedicated to developing and refining our understanding of healthy organizations

Three worldwide surveys with **senior executives** who had experienced a **significant performance transformation** in the last five years:

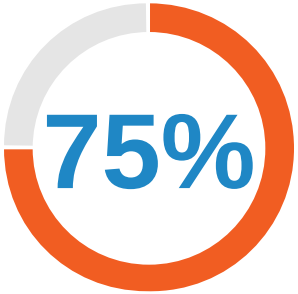
2,314 senior executives responded in **January 2010**

2,994 senior executives responded in **July 2008**

1,536 senior executives responded in **June 2006**

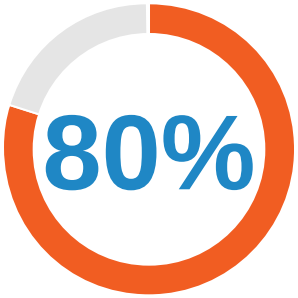
Clients often need help to enable major change programs

A few surprising numbers



Number of companies transforming their organizations

Rate of success in transformations where clients **do not** have holistic programs



Rate of success in transformations where clients have more holistic programs

SOURCE: McKinsey Quarterly Transformation Executive Survey, 2008; Next Generation PMO KIP Team

Making a change program succeed does not come easy, up to 70% fail…

We have spent more than a decade to evaluate why 70 percent of change programs fail:

Examples of change programs

- Organization Design changes
- Mergers
- New product launch
- Lean transformation
- New IT-system roll-out
- …

Gorilla change doesn't 'usually' work

"one size fits all"…

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…all about tracking and process management…

… and not value adding

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Interactive Poll

In your experience of strategic initiatives or other change efforts, what are the main reasons they fail?

Pick up to 2 answers in the following list

- ☐ Staff resistance
- ☐ Vision for change not understood and/or not linked to business reality
- ☐ Lack of leadership involvement (eg, not walking the talk)
- ☐ Insufficient resources (incl. Budget)
- ☐ Systems in place not supporting the change eg, capability building, HR-systems (bonus, evaluations,…), IT-systems, performance management, etc.

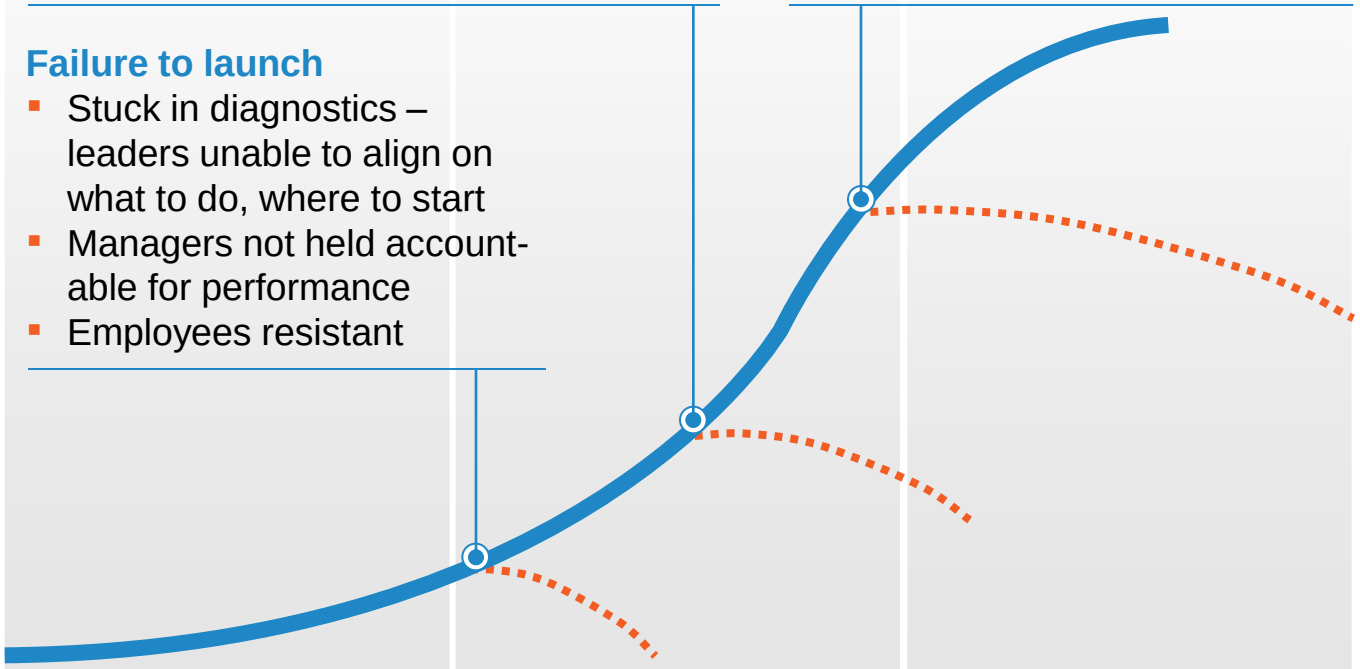
Common failure modes in large-scale improvement programs

Business results

Failure to sustain
- No change in day-to-day behaviors
- Change agents – not the line – leading the change
- No capability upgrade at the site level
- Improvements not baked into budgets

Failure to scale
- Multiple bottom-up efforts with competing methodologies and no overarching blueprint
- Limited leadership capacity
- Waning focus from senior team

Failure to launch
- Stuck in diagnostics – leaders unable to align on what to do, where to start
- Managers not held account-able for performance
- Employees resistant



People involved 10s | 100s | 1,000s

Time 1-3 years

Organizational change largely fails due to behaviors getting in the way

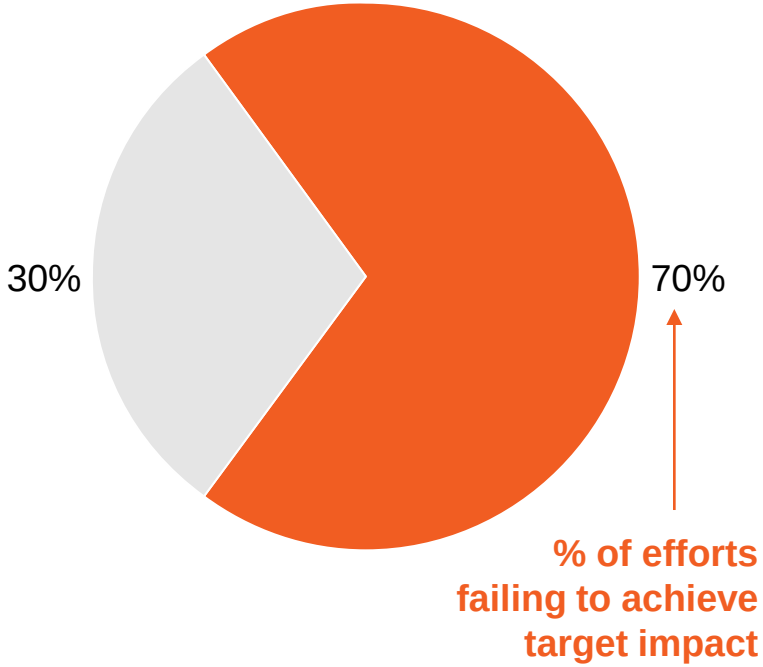
How successful was the transformation in reaching the targets your company set?[1]

2009 Executive findings

%, n = 2,261

Successful

Unsuccessful

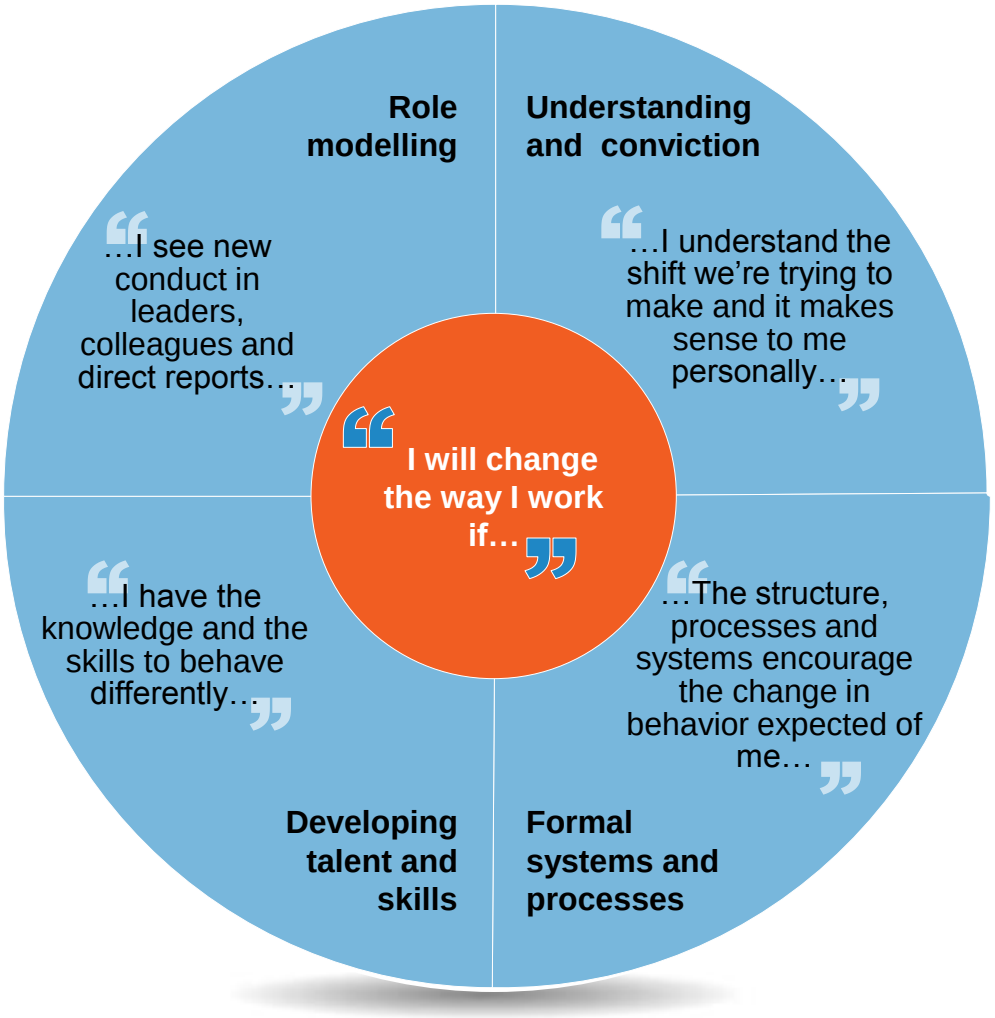


SOURCE: Scott Keller and Colin Price, '*Performance and Health: An evidence-based approach to transforming your organisation*', 2010.

Example of reality: does this sound familiar?

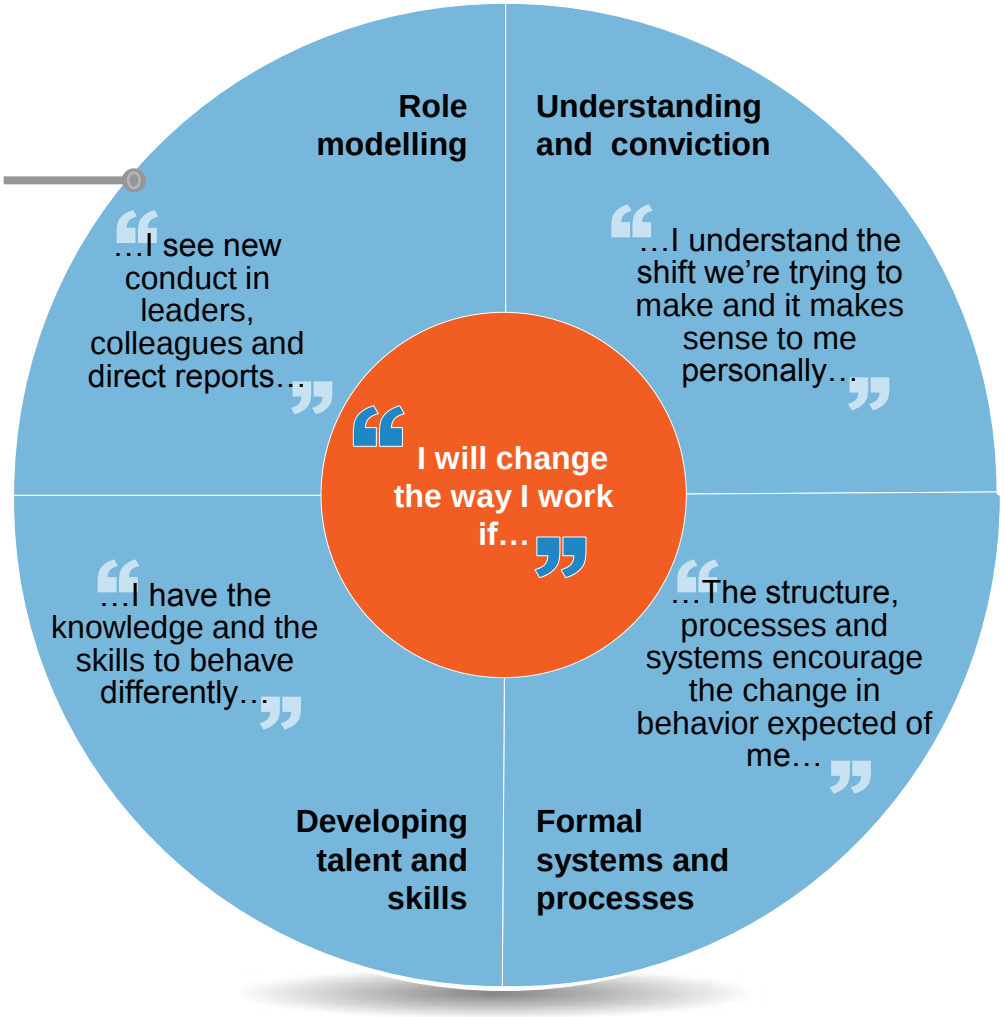
	CEO	Executive Committee	Senior Management	Frontline Management
Visible What we see and attempt to address	… decides on a change for his organization	… is not convinced that this is the best solution	… doesn't understand where this is coming from	… sees this as 'yet another change'
	Imposing, Confident	Reluctant, Not engaged	Disapproving, hesitant	Ignorant, Negligent
Invisible What we don't see, but creates behavior (Mindset)	'I know what I am doing and do not need help to make this decision'	'I have not been consulted, I feel rejected'	'I am missing a piece of infor-mation here'	'This will go away if I keep my head down'
	'I can make decisions autonomously'	'I should be consulted for important matters'	'I need to under-stand before I can engage myself'	'I am not investing time if there is nothing in this for me
	Authority	Participate to decision making	Understand where this fits in the global picture	Have clarity on objectives, their impact and 'what's in it for me'

The four levers of the Influence Model need to be pulled simultaneously to sustain a real shift in behavior



The four levers of the Influence Model need to be pulled simultaneously to sustain a real shift in behavior

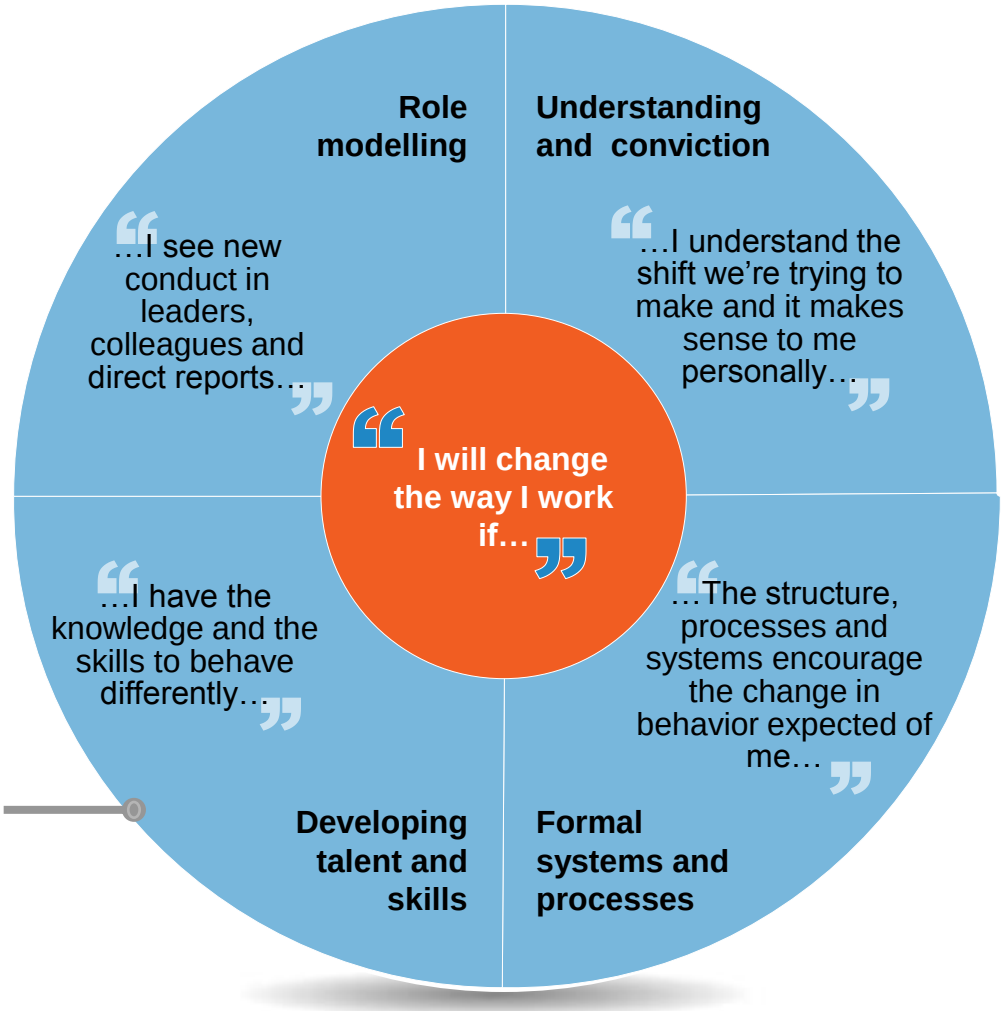
- Top Team and management to role model change through targeted leadership actions
- Involve actively network of change leaders
- Generate many interaction opportunities



The four levers of the Influence Model need to be pulled simultaneously to sustain a real shift in behavior

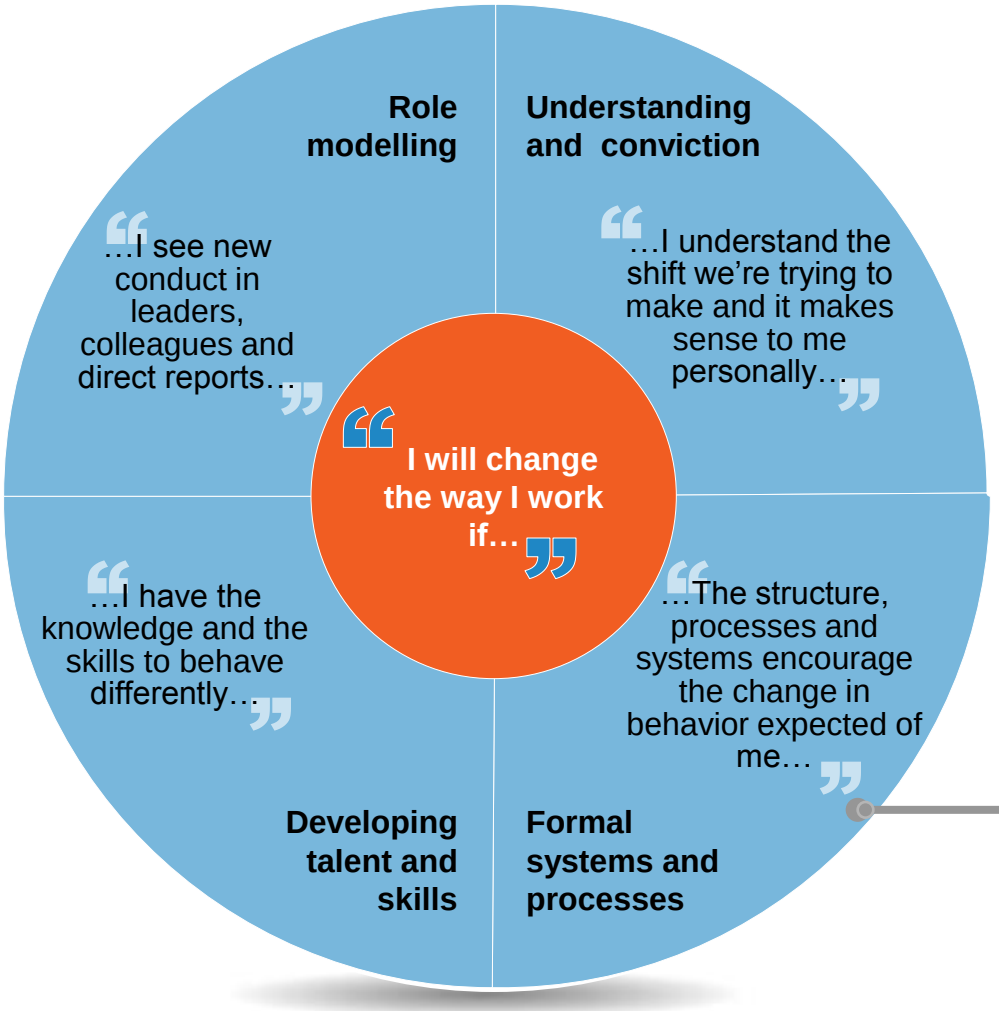
- 'Mission and vision' dialogue with organization
- CEO/change story developed (incl. values, strategy, case for change)
- Story cascaded throughout organization
- Strategy elaborated in BU/LOB business plans
- Common language for change established
- New 'rituals' visible

The four levers of the Influence Model need to be pulled simultaneously to sustain a real shift in behavior



- Technical & business skills training
- Leadership development programs
- On-the-job learning
- Feedback on training
- Track behavior encouraged by other training programs
- Talent management (replace, hire, retain)

The four levers of the Influence Model need to be pulled simultaneously to sustain a real shift in behavior



- Organization structure
- Targets and metrics
- Management processes
- Business processes
- Rewards, recognition and consequences
- Information systems

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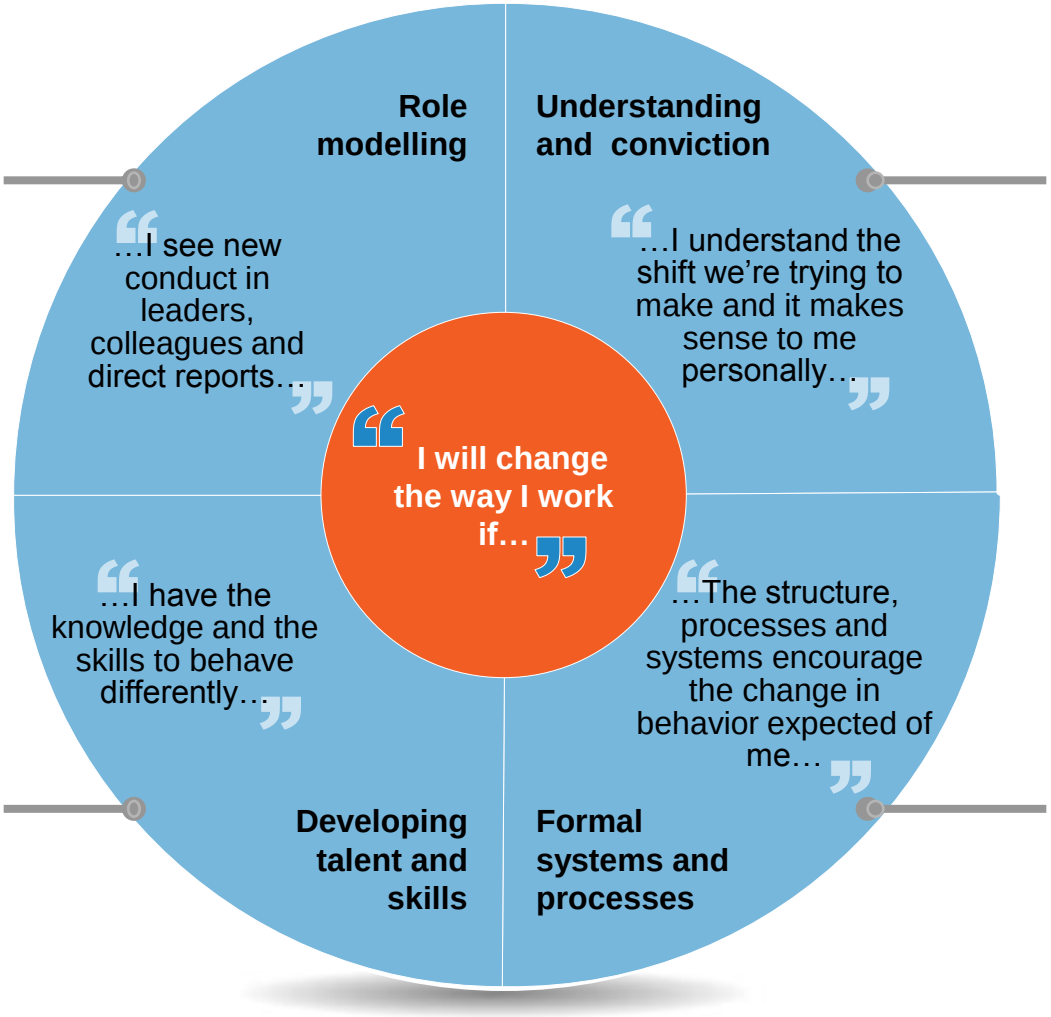

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Contents

Formal Systems and Processes

Presenter: Josh Sens, CIO, Objective Health

- Challenges and Approaches
- **Formal Systems and Processes**
- Provider Case Study

Interactive Poll

How would you describe your organization's current set of strategic initiatives?

Pick the best answer from the following list

- ☐ Low level of change / complexity using existing capabilities
- ☐ Low level of change / complexity requiring new capabilities
- ☐ High level of change / complexity using existing capabilities
- ☐ High level of change / complexity requiring new capabilities
- ☐ Not sure….

The ways in which we manage change efforts can vary based on their desired goals

How much change is desired?

A lot

A little

Change engine ✓Coordination ✓Change Management	**Revolutionizer** ✓Coordination ✓Change Management ✓Capability building
Nerve center ✓Coordination	**Center of excellence** ✓Coordination ✓Capability building

A little

A lot

How much new capability is needed?

Key Questions

What are we trying to achieve?

How urgently must we deliver impact?

What are barriers to change?

Who owns these initiatives?

What systems, processes or tools do we have in place to drive impact?

Based on these goals, formal systems and processes must be able to:

1. Support overall program structure and accountability

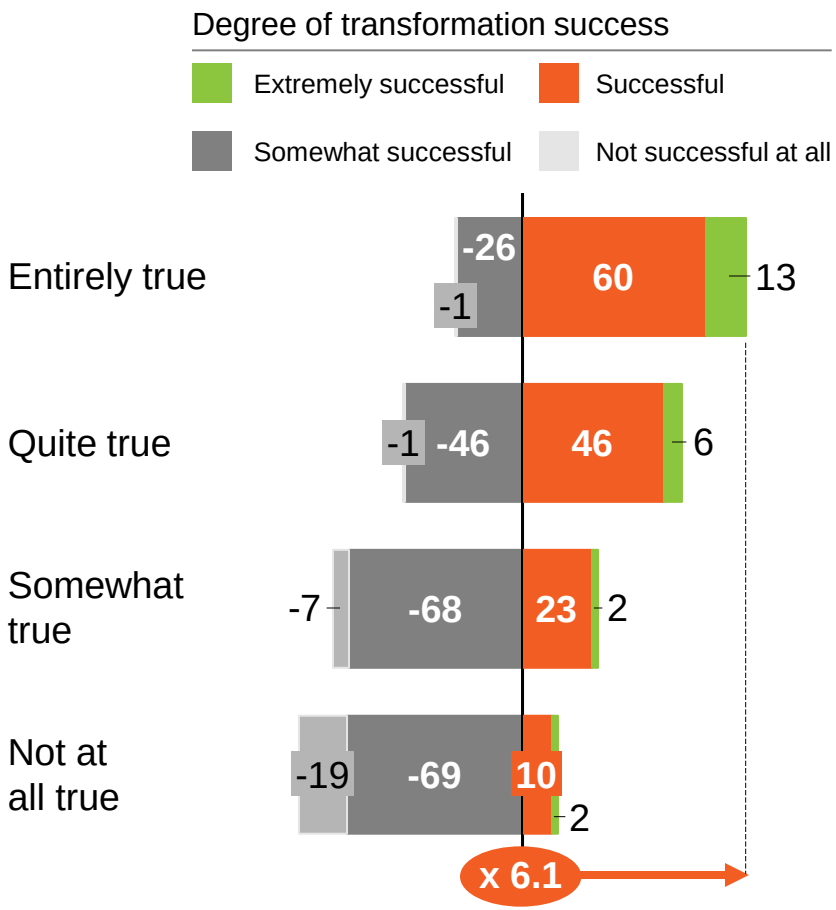
2. Provide transparency and rigorous progress tracking to lock in change

Source: Next Generation PMO KIP team

Formal Systems and Processes must support overall program structure and accountability

The transformation was organized into a clear structure with readily understandable sections

%, N = 2,041



Properly structured and well managed work plans with clear roles and responsibilities

Helping to develop a bold and memorable aspiration

Aligning initiatives within the themes and redefining/ eliminating those which don't align

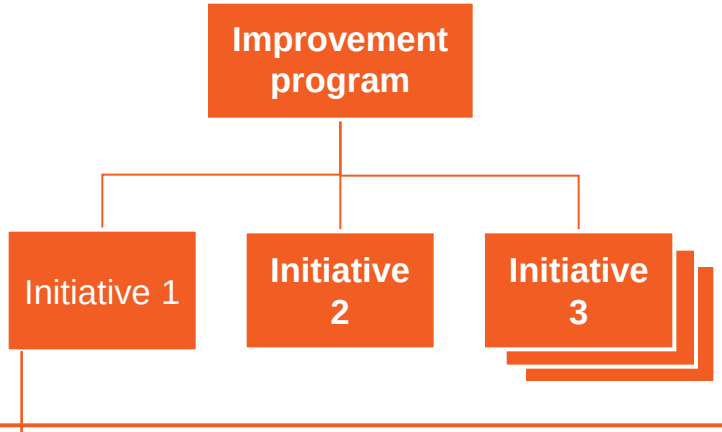
Identifying complementarities and dependencies between initiatives

Articulating both performance and health themes that are consistent with the aspiration

Source: Next-generation PMO KIP team; *McKinsey Quarterly* transformational change survey, 2010

Typically, hospitals have lacked robust tools for program management

Transformations and **improvement programs** typically consist of a **portfolio of initiatives** which in turn can consist of several **detailed actions plans**



Program management tools should provide :

- **Defining balanced** portfolio of **initiatives** and associated **actions**
- **Tracking progress** of initiatives and overall program for all incl. top management reporting
- **Monitoring achievement** of impact targets
- **Facilitating collaboration** and communication
- **Enabling responses** and adjustments by senior management

Managers of individual initiatives may also need more detailed project management capabilities at the action level:

- Resource management (FTEs)
- Tracking sub levels of activities
- Dependency and critical path management

Tools must provide integration or complementary to other specialised tools to offer managers the ability to combine program management and

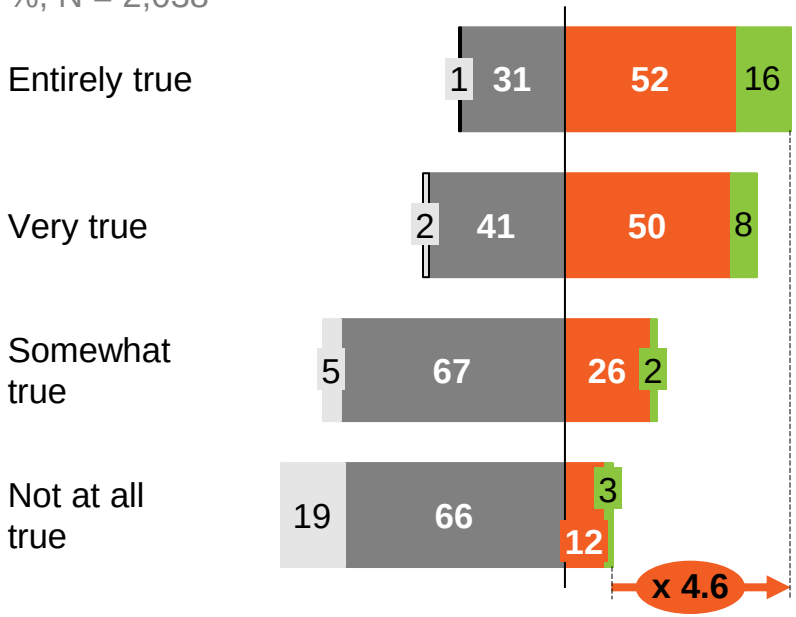
2 Formal Systems and Processes must provide transparency and rigorous progress tracking for successful transformations

Extremely successful
Successful
Somewhat successful
Not successful at all

Availability of information increases the likelihood of success by factor of 5

The right information was available at the right time for managers to monitor the transformation's progress and troubleshoot where required

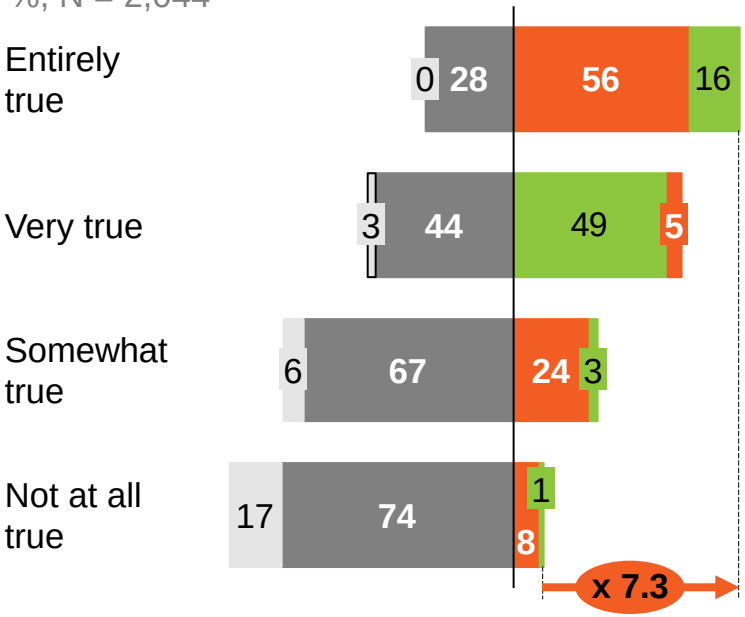
%, N = 2,038[1]



Stringent progress tracking increases the likelihood of success by a factor 7

Clear, unambiguous metrics and mile-stones were in place to ensure that progress and impact were rigorously tracked

%, N = 2,044[1]



1 Unweighted data
Note 1: Due to rounding, totals might not add exactly to 100%
Note 2: Data weighted by proportion of world GDP, following McKinsey Quarterly weighting standards

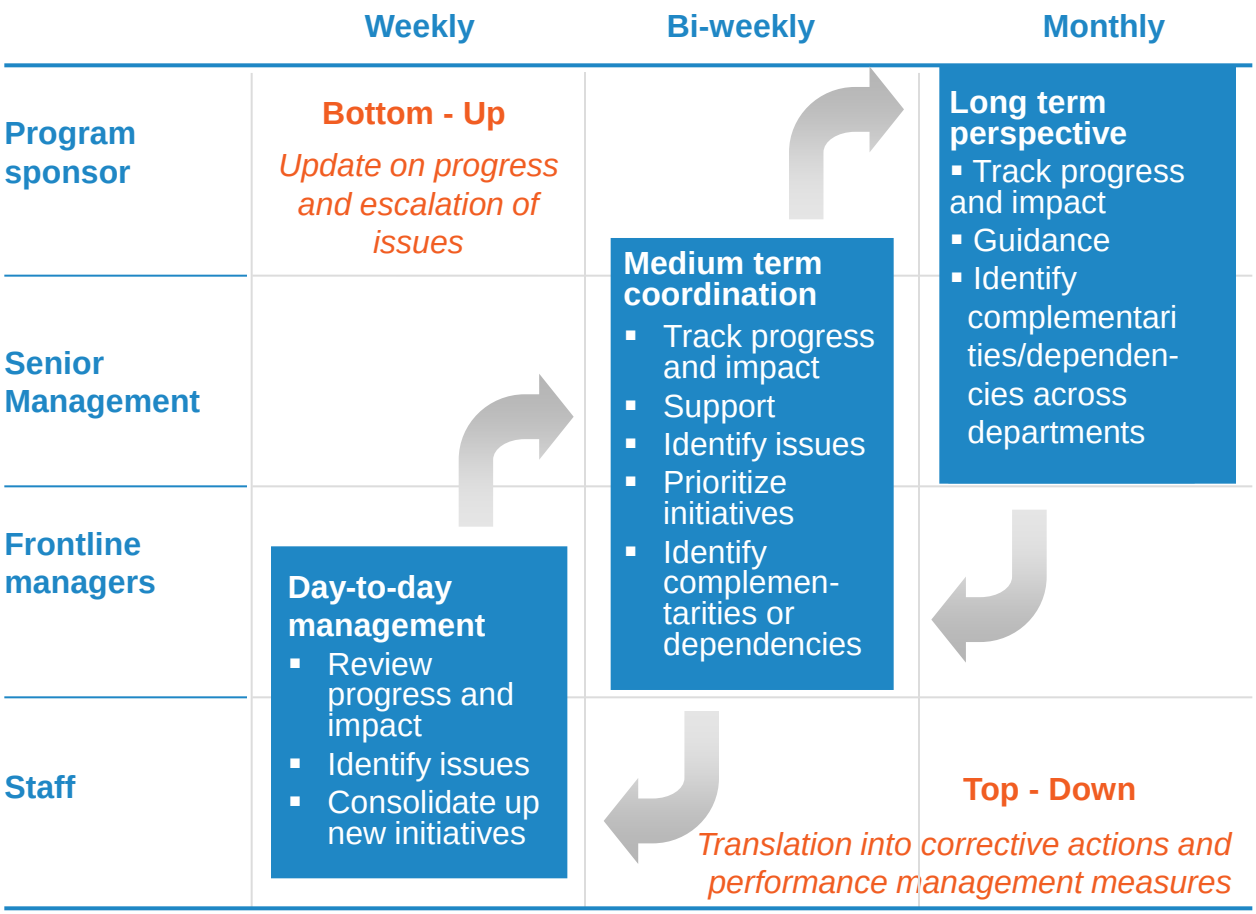
2 Change management frameworks should support a process of cascading progress reviews to enable continuous improvement

A strong performance management framework can help …

Create a direct link between the front line and the CEO/top team to ensure that everyone is heading toward same set of objectives

Quickly identify issues to ensure program is delivered at the right pace

Build appropriate skills to ensure continued success and ensure step-change improvement



Best in class program management tools can help hospitals successfully plan, execute and sustain improvement programs

Plan

Create a balanced portfolio of **initiatives** including

- **Capture ideas** for improvement initiatives and define them in a **centralized** location
- **Prioritize** them, assign single-point **ownership**, define associated **actions,** and **timing**
- **Evaluate** and **assign** potential **impact** to initiatives

Execute

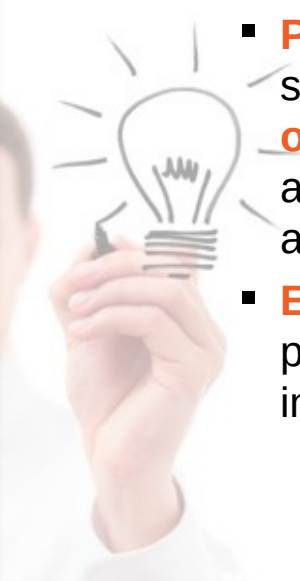
Track and maintain all of these initiatives over time including

- **Visualize** progress, delays, and accountability
- **Reprioritize** and **respond** to changes
- **Communicate** clearly about status and adjustments needed across the organization

Sustain

Measure impact of actions over time including

- **Show** to what extent **financial** and **opera-tional** targets are being met
- **Understand** what is driving **gaps** (which initiatives were not completed and who is responsible)



Contents

Provider Case Study

Presenter: James Stanford, Client Service Executive, Objective Health

- Challenges and Approaches
- Formal Systems and Processes
- **Provider Case Study**

Interactive Poll

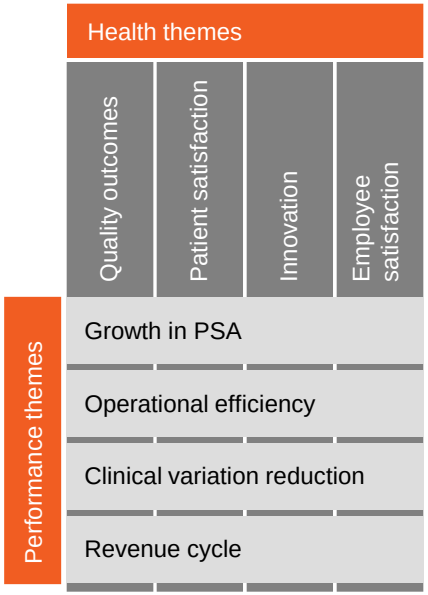
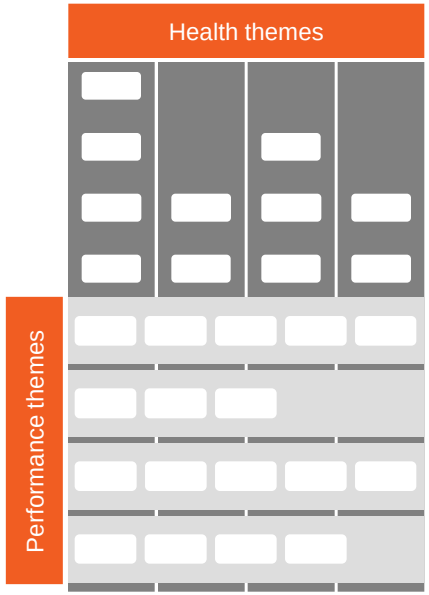
How many major change initiatives are you planning for the next year?

Pick one answer

- ☐ 0
- ☐ 1
- ☐ 2-3
- ☐ 4-10
- ☐ 10+

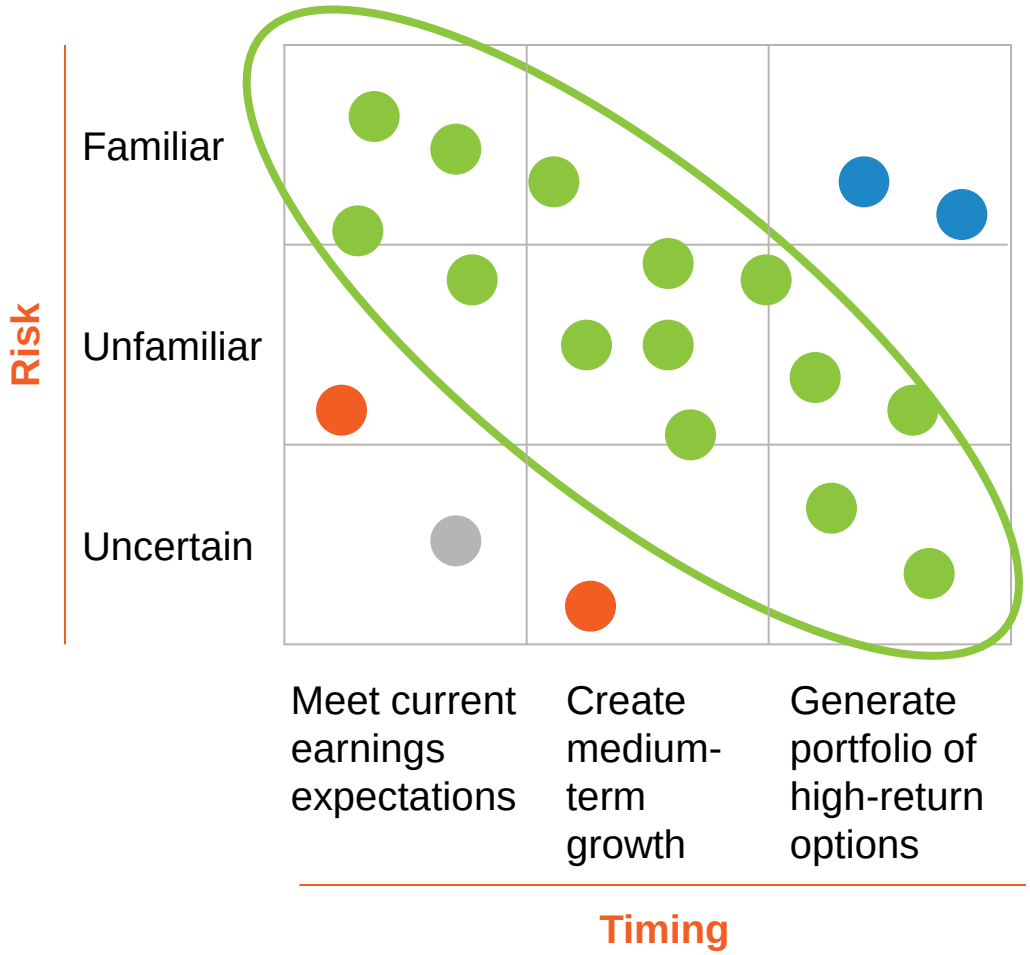
A structured portfolio of themes and initiatives helped to communicate the approach to the organization in a clear way

A health system example

The bold aspiration	The big change themes	The key initiatives to deliver the change
Improve system operating profit by $100M by 2019 and continue enhancing the health of the people of [our state] through greater systemness and performance management		
Describe the entire transformation story	**Break down the aspiration into a handful of performance and health themes**	**Articulate a key set of initiatives which fit into this architecture**

Sources: Five Frames; next-generation PMO KIP team

They prioritized and balanced their portfolio of initiatives to maximize the return on their change efforts



- A broad range of initiatives spacing the grid is necessary to ensure both short term upside and a long term pipeline of opportunities
- High degree of certainty unlikely for long-term initiatives due to potential for unforeseen developments, but some initiatives with long lead times (e.g., factor cost arbitrage) may be present
- Uncertain initiatives unlikely to be capturable in near term due to effort required to remove uncertainty, but there could be some near-term uncertainty that can resolve rapidly (e.g., regulatory change)

SOURCE: Objective Health

The transformation accounted for the 4 components of the Influence Model

Role modeling

- CEOs and other leaders review performance management tools in monthly meeting
- All leaders commit to change goals in performance evaluation criteria

Under-standing and conviction

- CEO rewrote system governing principles to be strong call to action (struck down platitudes and conciliatory language)
- Held “case for change” meetings throughout system, highlighting the $100M imperative
- Change teams cascade workplans to frontline workers

Developing talent and skills

- Established PMO to manage change
- Provided single source of truth, transparency and accountability
- Built single EMR for entire system, including affiliated physicians

Formal systems and processes

- Created internal “consulting” department to provide problem-solving and change management resources to change teams
- Developed lean management and problem-solving skills through external training, on-the-job application
- Implemented best-in-class program management tools

They conducted a survey to understand the organization's readiness for change, and acted on its findings

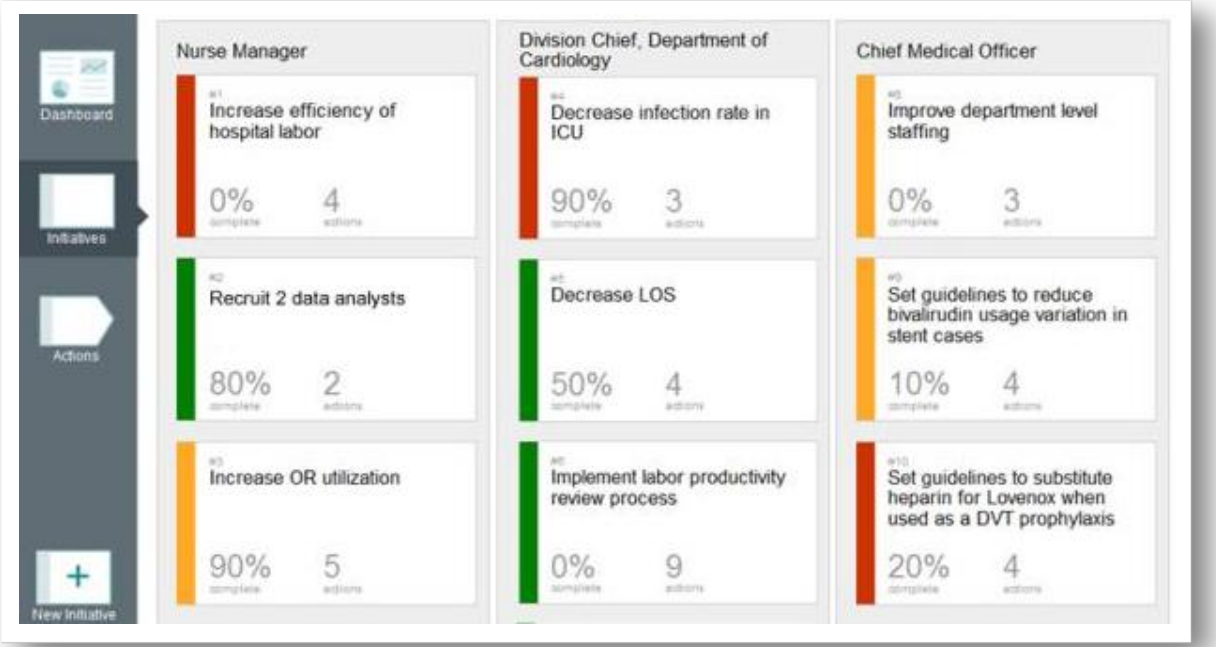
"What is the greatest obstacle to successfully introducing change in your health system?"

Summary of results from a change readiness survey

Each team translated their initiatives to cascading tactics with KPIs

Level	Many organizations	Outstanding organizations
Director	Reduce the ALOS	Reduce the ALOS
Asst. Dir.	Reduce the ALOS	Increase the percent of discharges before 11 a.m.
Nursing Dir.	Reduce the ALOS	Ensure nurses attend discharge planning rounds
Head Nurse	Reduce the ALOS	Ensure Assistant Head Nurse attends discharge rounds
Asst. Head Nurse	Reduce the ALOS	Establish a care plan for all patients on the unit by 9 a.m.
Staff Nurse	Reduce the ALOS	Carry out care plan more quickly
	Little or no impact	**Everyone understands and takes part**

They also ensured transparency across all initiatives to monitor progress and identify where they could course correct



IDEAS

capture initiatives, share ideas

ACTIONS

assign actions and responsibility

PORTFOLIO

plan, prioritize, track impact

The organization established a “single source of the truth”…

Performance

- Current
- Targeted

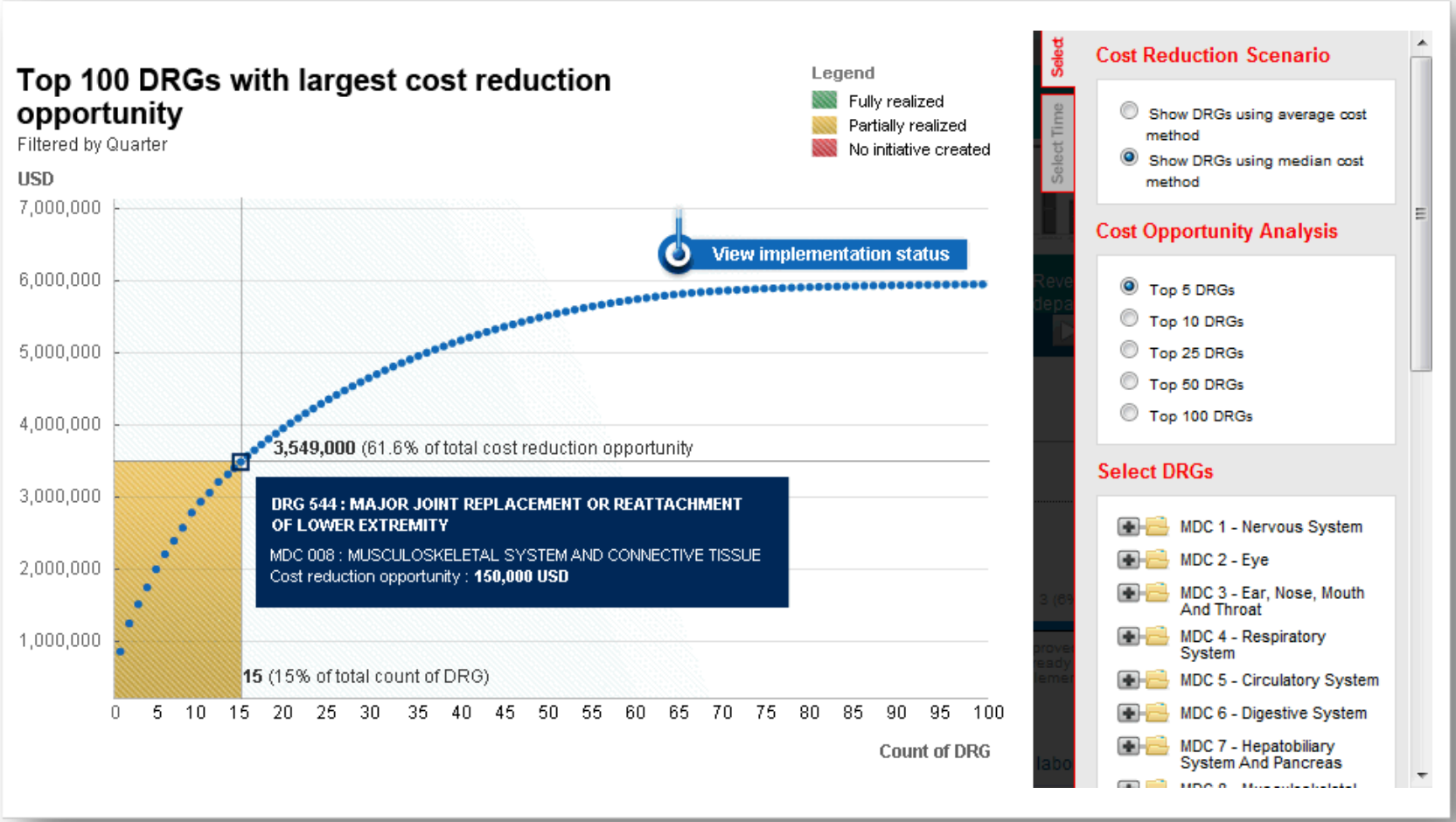
Global dashboard compared to Target"

- Better than target by 3% or more
- At target
- Worse than target by 3% or more
- Data not comparable

Category	Metric	Analyzed Period Performance	Target	Percent Change	Reference Period Value	Analyzed vs. Reference
Strategy	Market share in PSA	30.00	30.00	8.52%	27.65	Q4 2010 vs. Q3 2010
	Commercial share vs. PSA	-8.57	5.00	-385.72%	3.00	Q4 2010 vs. Q3 2010
	IP admissions	11,000.00	13,000.00	20.61%	9,120.00	Q4 2010 vs. Q3 2010
	OP visits	19,000.00	23,000.00	3.09%	18,430.00	Q4 2010 vs. Q3 2010
Finance	EBITDA	14,326,952.00	6,600,000.00	118.66%	6,552,181.00	Q4 2010 vs. Q3 2010
	Net income	2,179,573.00	1,500,000.00	-8.96%	2,394,194.00	Q4 2010 vs. Q3 2010
	Non-labor spend per adjusted admission	1,100.00	1,000.00	1.71%	1,081.50	Q4 2010 vs. Q3 2010
	Total cost to collect	2.75	3.00	0.00%	2.75	Q4 2010 vs. Q3 2010
	Days cash on hand	40.00	55.00	-37.03%	63.53	Q4 2010 vs. Q3 2010
	Avg. Comm. reimb relative to Medicare-IP (%)	127.00	130.00	-12.07%	144.43	Q4 2010 vs. Q3 2010
	Avg. Comm reimb relative to Medicare-OP (%)	142.00	145.00	-2.07%	145.00	Q4 2010 vs. Q3 2010
Operations	OR Utilization	70.00	80.00	-6.02%	74.48	Q4 2010 vs. Q3 2010
	Emergency department ALOS	3.00	2.00	71.82%	1.75	Q4 2010 vs. Q3 2010
	Excess LOS on the floors	0.50	0.00	0.00%	0.50	Q4 2010 vs. Q3 2010
	CT utilization	60.00	80.00	-16.90%	72.20	Q4 2010 vs. Q3 2010

* This dashboard compares the most recent available data to the second most recent available data

…and provided analytical horsepower so that the team leaders could answer their own business questions as quickly as possible



And the organization is on track to meet its near-term goals

Successes

- All Phase 1 initiatives are underway
  - Expanded health and wellness services to nearly 100,000 lives
  - Finalized contracts for shared service vendors
  - New overtime and productivity targets hit in 75% of departments
- On track to achieve >$25M in margin improvement in first 12 months of implementation, and double that in Year 2

Challenges

- Some difficulty getting data for all PHIs
- Emphasize ‘journey’ versus ‘race’; sustainability is the objective

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Q & A

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