

Target antiquated management methods

By John Kenagy
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Everyone who has worked in a large, complex organization has run up against unmanageable “elephants in the room”—unresolved issues, major inconsistencies, or big problems that no one in the room can even acknowledge, let alone solve.

In my career, I have been a physician, healthcare executive and adviser, academic scholar, author and, perhaps most importantly, a patient once deeply immersed in healthcare with a critical injury. In each of those roles, I have seen big elephants in many rooms.

As a visiting scholar at Harvard Business School, I studied those few companies that innovated successfully when others failed to adapt, and discovered one of the most consistent indicators of success is the ability to turn unacknowledged elephants into real opportunities.

For example, Intel saw its profit fall from \$198 million in 1984 to \$2 million in 1985, but then regained dominance. How? CEO Andy Grove famously identified Intel's elephant and turned it into an opportunity. Grove recognized he had successfully developed, led and grown a great computer memory company whose business model was no longer relevant in the marketplace. Rather than ignore this elephant and stay alive by downsizing and cost cutting, he identified it as an opportunity, marshaled his organization's forces, and adapted Intel's business model to a profitable focus on microprocessors.

Meanwhile, Digital Equipment Co. (DEC), another great technology company, saw its profits fall dramatically at exactly the same time, but failed to eliminate the elephant in the room. A Microsoft executive, who was formerly part of DEC's senior management team, told me this story: “I saw it happen. We formed consensus around the management table on key strategic initiatives over and over again while many around the table were thinking, ‘Here we go again, this is not going to work.’” No one could acknowledge, or manage, the fact that DEC's previously successful business model was the problem. That's the elephant that killed DEC.

Fortunately, the key to reforming healthcare does not require eliminating a herd of elephants that silently stampede through many healthcare organizations. It requires eliminating only one—but it is a very big elephant.

Elephant No. 1 is the belief that we can transform healthcare with formerly successful, but now antiquated management methods that were originally designed for mid-20th century factories, not 21st century healthcare. “Try harder” is not the solution; it’s part of the problem.

For example, let’s look at the healthcare reform solutions proffered to Congress in the last few months. They generally follow this pattern: First gather and analyze the data, then assemble experts in meeting rooms to design and implement solutions and technology that “simplify administrative costs, develop new kinds of healthcare insurance, make hospitals and doctors more efficient, reduce hospitalizations, manage chronic illnesses more effectively and improve healthcare information technology.”

Data up to more meetings, then implement more solutions and technology down. Sound familiar? I’ve been in healthcare for 40 years and, for me, it’s as Yogi Berra said: “Deja vu all over again.”

Just like DEC, we are not going to transform healthcare by trying harder with 1978 methods. Trying harder to move more data up to more experts in more meetings, who will then design and implement more solutions and technology down to the frontline, will deliver exactly what it has already delivered—less care at more cost. That’s our Elephant No. 1.

Acknowledging Elephant No. 1 reframes the problem and the opportunity. Our dilemma is not a lack of technology, money, or effort by intelligent, hard-working people, and it’s certainly not a shortage of meetings. It is a data up/implement down, industrial management model that has been overwhelmed by the complex, dynamic, unpredictable nature of 21st century healthcare. Our current system is not dysfunctional or broken. It delivers all it can.

Looking at business models and methods that successfully manage complex, unpredictable work delivers the solution. My Harvard Business School research and experience in the crucible of healthcare’s frontline developed, tested and validated an “adaptive design” business model of innovation that eliminates Elephant No. 1.

The successful path is well-documented. Instead of moving information up to meeting rooms, a few leaders will use adaptive design methods to develop, coordinate and control new critical thinking skills and rapid, state-of-the-art decision-making close to the point of care.

The result? People and systems that address problems as they happen and then test, validate and replicate solutions in real time close to the patient. Everyone works every day to increasingly get patients exactly what they need at continually lower cost. Everyone is fixing healthcare.

Using the inspiration of adaptive design methods, skills and tools, a Massachusetts hospital increased surgical volume by 16% while decreasing surgical staff overtime by 14%; a Minnesota hospital nursing unit yielded a total return on investment of \$1.7 million and at the same time won the award for most improved patient satisfaction in a 17-hospital system; and a Colorado hospital pharmacy generated \$1.9 million straight to the bottom line by making it simpler for patients to get the medications they needed.

New adaptive design ideas—ideas that don't just try harder at old solutions—eliminate Elephant No. 1 and open the door to the true transformation of healthcare.

For example, innovation incubators inside frontline units always rapidly problem solve and simplify the work. That creates the opportunity to partner with technology companies to bring new, simple, testable and improvable enabling technologies into these frontline incubators as experiments. These new partnerships will then test, validate, improve, collect and disseminate the lessons learned to the broader healthcare community.

The broader community is now ready to learn because a few leading organizations have eliminated Elephant No. 1. They are developing people to get patients exactly what they need at continually lower cost in real time, not in meetings. That's the way to fix healthcare.

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