CARS and HEALTHCARE

Competition and Compliance

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While many like to believe otherwise, the changes and challenges occurring in healthcare are neither new nor unique. Most other industries have faced similar "unprecedented" challenges. Beginning in the 1970s, the auto industry in America was faced with new competitive threats and a barrage of regulatory requirements.

The perspectives of new competitors changed the market dynamics considerably. The newly imposed regulations and rising consumer dissatisfaction with the quality and reliability of U.S. manufactured autos represented a huge opportunity to enter a previously impenetrable U.S. market. The conditions inspired innovative Japanese and other foreign manufacturers to develop new business models and manufacturing processes appropriate for the new market conditions and consumer-informed requirements. What appeared to be overnight, companies like Toyota, Honda, Datsun/Nissan, and others began to flood the U.S. market with high quality, dependable vehicles at price points welcomed by insightful consumers. These new business models were supported by processes and cultures that deeply integrated the voice of the customer and quality into procedures and mindsets. Methodologies that included for example, 4-M, Lean, Total Quality, and Six Sigma revolutionized what had been stagnated U.S. models, processes, and most importantly, mindsets.

From the early 1970s into the 1990s, the U.S. auto industry struggled to overcome paradigms that inhibited progress and the ability or willingness to change. The inflection point that should have been recognized years earlier was either denied or ignored. What ultimately became painfully obvious were two alternatives: change or die. Not only was change essential, but the change had to occur more precisely and rapidly than ever before, as procrastinators realized the accelerated erosion of their markets.

The Move Toward Change

As we know now from history, there were many unfortunate “casualties.” During this period, auto manufacturers had to “re-imagine” the future and develop strategies that were clear and focused. Strategic initiatives needed to be supported by strong business cases that clearly identified expectations and benefits. These initiatives and supporting programs and projects required disciplined executive prioritization. Otherwise, organizational dilution would impair progress and diminish performance. Those few most important things had to be accomplished with the objective of sustainable high performance. It was no longer about getting to a finish line or an end result but rather sustaining performance and continually improving. Squandering time, money, or human resources was not an option. Strategic plans and related initiatives, programs, and projects had to be planned and carefully resourced. Risks needed to be considered, examined, evaluated, and managed through mitigation plans. It was at this time that program and project portfolio management became a strategic tool designed to assure focus on priorities, align organizational resources, mitigate risk, prevent dilution, and enable rapid execution. Failed execution and re-do’s could no longer be tolerated. “Peculiar” planning and heroics, once acceptable, could not be relied upon, replicated, nor scaled. Instead, these legacy tendencies that seemed to work in a less competitive and regulatory- intense market and economy gave way to disciplined approaches to project portfolio management and professional program and project management. The critical alignment of organizational activities to the strategic plan and initiatives created concentration on those things that mattered most. While the business models and internal processes underwent dramatic changes, it is fair to say that these would have been insufficient to produce the required improvements without evolving the organizational culture. Quality, teamwork, responsibility, accountability, adaptability, and continuous improvement had to become the natural tendencies for all organizational members. The auto industry underwent a transformation and the evolution continues today. The industry is unlike anything that we would have envisioned in the 1960s. The economy, market dynamics, competition, regulatory agencies, consumers, and technological advancements will continue to be catalysts for accelerated change.

The Corollary

So what does this have to do with healthcare? While it is understood that cars are not people and hospitals are not manufacturing plants, the landscape of healthcare is really no different. Healthcare no longer escapes the inevitable influences of economic and marketing principles, competition, and increased governmental regulations. In fact, the healthcare industry is and will continue to face unprecedented challenges similar to the auto industry over the next decade and beyond.

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It has long been believed that the healthcare industry is special and should be viewed differently than other industries. Healthcare ***is*** special and different because of its patients (customers). Treating those who are ill is something that should never be undervalued or unappreciated. However, when looking at the industry through business leadership lenses, it is evident that the industry is well beyond its point of inflection (tipping point) and something must be done to evolve the industry to address new realities.

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Most if not all strategies need to focus on addressing the increasingly more complex and competitive business environment and barrage of regulatory compliance requirements that seem to be forever changing. Add to these factors a more sophisticated and knowledgeable patient population (customer) with a world of information only a "click" away. It suffices to say that organizations which are slow to recognize both the threats and opportunities, like the auto industry in the 70s, will struggle to compete and, in some cases, survive. We know these are not times for procrastination. It is not only important to develop the right strategy but to execute it rapidly and assuredly. Some through choice and others because of limited alternatives will, much like the auto industry, look to merge with others. We certainly have observed this macro-trend over the past several years. However, this is not always a solution, as results across other industries have taught us. Mergers and acquisitions have their place in strategy; however, they too require extraordinary planning and discipline of execution. Most often, cultural assimilation is grossly underestimated and process integration falls short. Like the auto, telecommunications, and many other industries, healthcare organizations are discovering that strategies and related initiatives must be very targeted and executed with precision to serve their specific visions.

Positioning

With unprecedented market turbulence, it is apparent that the distribution of competitive profiles in the industry will, more than ever, favor and advantageously position those who have been able to establish and sustain strong, offensive postures. Currently, few organizations can claim this position. Those organizations positioned offensively anticipate an inflection point that is, the inability of the business to continue to compete effectively and thrive under the existing model and strategy. Offensively positioned organizations proactively implement strategies to reinvent and reposition themselves to capitalize on new market conditions and opportunities. As one would expect, organizations offensively positioned tend to be more innovative and creative. A culture of innovation cannot exist and prosper when most activities are focused to reacting and defending and resources are over-committed. However, it is safe to say that many organizations are not "playing offense" and are either in a reactive or defensive posture. The reasons are many and varied. Regardless, it is most critical for organizational leadership to understand and acknowledge the state of the business and respond with a concise plan that focuses the organization on its highest priorities, be they reacting to a situation, defending a position, or capitalizing on an opportunity. It is not unusual for an organization, even those that trend toward being on the offensive, to find it necessary to respond to immediate opportunities or threats. Their strategies (and more so the supporting planning and implementation processes) are designed with sufficient flexibility to address these unanticipated needs and to do so effectively by reprioritizing and rebalancing the organization's portfolio of important initiatives (programs and projects). When a reactive response is warranted, these organizations ensure that the business case and justification is sufficiently strong to justify recasting priorities and reassigning precious resources. Whether reacting, defending, or launching an offensive effort, it is incumbent upon the leadership team to understand the organization's band width (capacity and capabilities).

This understanding can be accomplished with sound portfolio management and disciplined prioritization. The goal is to ensure that resources are focused to those activities that will generate the most favorable benefits to the organization. This simply makes sense.

Cause and Effect

Nonetheless, one of the major obstacles to an organization's ability to execute its strategic plan and portfolio of projects continues to be over-committing its resources. Resource planning is an essential component of portfolio management, as most often project success is dependent upon the participation of the same individuals who have daily functional responsibilities. So often, there seems to be an underlying assumption that somehow everything will get done; rarely does this happen. When it does, there are surely other costly compromises (quality, frustration, turnover, cost over-runs, etc.). Remember, regardless of the level of talent within an organization, resource dilution (over-committing) kills performance and negatively impacts morale!

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While there are many approaches and processes to drive prioritization of programs and projects within the portfolio, expecting the process to accomplish the task is unrealistic. Process compliance and application require leadership promotion, cooperation, and discipline. Executive leaders, by virtue of their positions, maintain the right of discretion. Unfortunately, sometimes this discretion encourages "work-arounds" that compromise process integrity. This is not to say that at times it is not necessary. However, done regularly, the process is rendered ineffective and unreliable. It is imperative that the leadership group agrees on the criteria used to determine priorities and regularly promote process application by adhering to process outcomes, while still providing for exceptions. With priorities established, the organization can focus on planning and executing activities that produce the greatest benefits for the organization.

Planning and implementing, like portfolio management, is a critical organizational discipline. Considering the urgency and pace of change in the healthcare industry, at no other time has an organization's ability to rapidly plan and execute been more important and impactful. Had the auto industry not been in a reactive mode, who knows what would have transpired? For organizations that are struggling to remain viable, failure to execute is not a tolerable scenario.

It should be every organization's aspiration to assume and sustain an offensive posture, "reading the tea leaves," and preparing the organization to take advantage of new opportunities or respond to threats. Nonetheless, as already noted, it is best for organizations to develop mastery at managing all three modes (reactive, defensive, offensive). The reasons should be apparent. While a proactive organization generally operates within the offensive realm, it too will have components of the business model that will experience unanticipated threats, challenges, competitive surprises, or advantageous "windows of opportunity." These opportunities need to be addressed with prudent and planned responses, by an organization that is readily adaptable and progressive. As already noted, it is incumbent on leadership teams to apply discipline in determining strategic priorities and preventing their organizations from dilution, that is, trying to do more than can be accomplished with limited resources.

There is another very important point to consider: projects cannot be allowed to linger, as has often been the case in the past. Multiple lingering projects, that is, those where the last 10% never reach completion, create "organizational compression." This too results in resource dilution, as new projects are launched with the assumption that others have been completed and resources are available to support them. Projects that would otherwise be considered successes often suffer from this late stage momentum loss and inability to cross the finish line. Aside from the compression impact, this steals the opportunity to celebrate success and invigorate team members.

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There is a Solution

Whether making cars or providing healthcare, competition, compliance, and changing market conditions will never go away. To these, add the ever-increasing speed of innovation and technological development and there is a situation that does not forgive the ineffective use of time, talent, or money. Portfolio management and program and project management provide the structure and processes to transform strategy to reality. Healthcare organizations are beginning to discover that these capabilities are essential competitive competencies. It may be worthwhile to continually consider the following key points:

- The state of the business must be clearly and factually expressed and acknowledged to establish relevant strategy
- Strategy must be focused to address opportunities, threats, and desired measurable impacts
- Strategy must cascade to the identification of those activities deemed most critical
- Critical activities (initiatives, programs, and projects) must be validated, prioritized, risk assessed, and resourced through some form of efficient portfolio management
- Programs and projects should incorporate change management to enable organizational acceptance and evolution
- Projects must be rapidly planned, executed, reach 100% completion, and closed-out
- Results must be measured and sustainable to realize benefits and maintain organizational progression
- Lessons learned drive continuous improvement and advance the ability to plan and execute more reliably and rapidly
- What has worked in other industries will likely work in healthcare

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Conclusion

There is no denying that these are the most challenging times that the healthcare industry has ever faced. They are also the most exciting…saturated with exciting opportunities for those who choose to master change. Healthcare will be well-served by applying the lessons learned in other industries faced with significant competitive and regulatory challenges. Will healthcare's adoption of best practices portfolio and project management be stifled much like the early responses to the application of Lean and Six Sigma? Healthcare organizations that thrive during the next decade will master the ability to focus on initiatives, prioritize projects, manage change, and excel at execution. The turbulence of the current and anticipated environment will represent unprecedented opportunities for these organizations. The others will continue to ignore or resist the new reality up until the alternatives become few and bitter.

About the author

C. Richard Panico is the founder, president, and CEO of Integrated Project Management Company, Inc. (IPM). IPM is a leading project management consulting firm, focused on planning and implementing strategically critical projects in healthcare and other industries. Working with organizations ranging from hospital systems to stand-alone hospitals and physician practices, IPM leads project teams to deliver results. Headquartered in Chicago, the company has regional offices in Boston, St. Louis, Los Angeles, San Francisco and Minneapolis - St. Paul. IPM has been named to *Inc. Magazine's list* of 5,000 fastest-growing private companies for seven consecutive years, and named a "Best Small Workplace" during four consecutive years (2010 - 2013), by the Great Place to Work Institute.

To learn more about IPM and its services, visit www.ipmcinc.com or call 630-789-8600.