

Case Study #2

The Tectonic Shift

12

The scenario

The Palmyra Clinic is the leading obstetrics and gynecology (ObGyn) specialty group in a medium-sized Upper Midwest city about an hour from the state capital.

The clinic gradually grew from two married residency classmates in the early 1970s to now having 25 physicians. The clinic has been a fixture in the community for decades.

The overwhelming majority of births at the only local hospital are handled by clinic physicians.

The clinic elects one of their doctors as the CEO and hires a non-physician COO. The physicians and staff are compensated generously, morale is excellent, and most everyone is happy with the status quo.

The clinic has seven-figure reserves, an excellent balance sheet, and has seen a steady increase in patient volume and revenue over the last decade.

Other than the physician CEO, the doctors are uninvolved in the running of the business and focus strictly on clinical care.

The characters

Megan, the elected physician CEO, has served superbly in her position for the past six years. She is technically and managerially competent, clinically respected, and well-liked by physicians and staff.

Stephan, the COO for the last three years, is also respected and well-liked by both physicians and staff. He has a well-deserved reputation for a deep understanding of the finances and business operations.

The situation has changed.

Over the past six quarters, Megan and Stephan have noticed a slow but accelerating erosion in the financials and patient demographics. Seasonally adjusted patient volume and revenue growth have slowed or gone negative.

The state's only academic medical center, located in the state capital, has begun to market aggressively within a hundred-mile radius. Billboards and marketing for their ObGyn services have cropped up everywhere. Innovative transportation programs are bringing patients to the academic medical center, eliminating the distance issue.

Megan and Stephan suspect that the long-standing and highly successful business model of the Palmyra Clinic may be in jeopardy.

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Sensing

Together, they gather additional data. They look at the demographics of their city, get into the details of the clinic financials, hire an outside consultant to assess the situation, and meet with fellow like-sized specialty medical group CEOs within the surrounding areas.

After a nine-month period of study and analysis, they determine that the problem is not internal to the clinic—the clinic is operating as efficiently as ever, if not more so.

They conclude that there are two problems.

First, the competition from the state's academic medical center is siphoning off high-end patients and revenue from the Palmyra Clinic and other single-specialty ObGyn groups within a hundred-mile radius of the state capital.

Second, coincident with increased competition, the emergence of the Affordable Care Act significantly changed the patient and revenue mix. The Palmyra Clinic is seeing many more previously uninsured patients with lower compensation while simultaneously losing high-end patients. The ground under their feet has shifted.

Using the precepts of chapter 4, Megan and Stephan extrapolate the data. The future does not look good.

Using the principles of Kuhn's paradigm shifts and Christensen's disruptive process change, it becomes painfully obvious that the clinic needs to fundamentally change.

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Absent systemic change, sooner or later, the clinic will fail.

Visioning

It is clear to the leader and her principal deputy, but no one else in leadership, that their decades-long business model is unsustainable and will likely fail. The physicians and staff of the clinic are oblivious to the changes, as they are focused on clinical care and optimizing the operation of the clinic.

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Megan and Stephan together must guide the physicians and senior staff to a new plan, with attendant changes in the vision, strategies, tools, and culture of the organization.

Megan and Stephan lead a very difficult offsite that highlights the new reality to physicians and senior staff. The data, once contextualized, is very clear, and the conclusions are unavoidable. And the physicians and senior staff are not happy. But, in the vernacular, it's either change or die.

The simple yet powerful mission created by the founding pair of physicians, "The Palmyra Clinic provides the best Ob/Gyn service in our city," does not change. The physicians and staff are committed to it.

The vision and strategies to meet the mission of the clinic absolutely must change.

The leadership team develops a new vision and strategies emphasizing the long-term relationship between the clinic and its patients, the clinic's proximity to the patients, and the clinic's high-end technology. The new vision addresses why patients do not need to travel to the state capital when they can get superlative care here, today, at the clinic, from their local doctors and staff. After all, who really cares about you if not your neighbor?

Acculturation

The most difficult change will be to the culture.

The physicians and staff have been comfortable and well

off for decades. The new vision and strategies caused by the changing environment will take many physicians and staff out of their comfort zone, causing disruptions and difficulties.

This is where Megan's biggest challenge lies. She will have to proselytize individually and collectively for a new culture. She will

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have to make sure of her support from fellow physicians while simultaneously motivating them to change. Most difficult of all, she will have to make tough personnel decisions, particularly about senior staff and long serving physicians who are unwilling or unable to change.

Her most important asset will be the unwavering support of Stephan. He will need to educate and motivate the staff. While the doctors (mostly) believe Megan, they will certainly come to him privately, as the business wizard, and ask, "Is it really that bad that we have to change this dramatically?" There can be no daylight between Megan and Stephan.

Enabling

The clinic, for the last ten years, has run extremely efficiently and effectively. The current tools are optimized for the current paradigm.

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Megan and Stephan need to make sure that they have the right tools. They hire a consultant to do a

complete review of systems to make sure that the current tools are more than adequate for the new vision and strategies. They look at people, process, money, hardware, priorities, and knowledge.

While a seven-figure reserve would ideally remain untouched, the clinic will need to draw down some of the reserves to provide the money necessary to change—whether it's for purchasing new

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IT systems, adding high-end technology, hiring people with new and different skills, or investing in additional training.

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Deciding

The decision-making process for the CEO will be much more difficult during this time of change.

On the one hand, Megan must be directive and firm—there

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is a clear and present danger to the clinic. She must be tactically impatient.

On the other hand, Megan and Stephan need to employ the complex decision-making process, discussed in chapter 8, on many issues, where all of the answers and indeed many of the questions are not yet necessarily known. She must be strategically patient.

Megan's decision-making must be very nuanced, and her process for making decisions will require explanation and buy-in from her fellow physicians. She must proceed very thoughtfully to make sure she does not lose the trust of her fellow physicians.

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Constant communication and total transparency are the keys to success.

Responsibility

This will be a difficult and very stressful time for Megan. She will feel the weight of responsibility for the survival of the clinic on her shoulders.

While not micromanaging, she has to stay totally focused on the long-term health of the clinic and accept that it is her responsibility and hers alone to make the transition a success, while still delegating authority to those who must make changes.

She should reach out to other single-specialty clinics in the state to form a support group.

She should find a mentor who has undergone a similar transition and perhaps even hire a personal coach.

And she must go out of her way to deepen the relationship between herself and Stephan—the two of them must be absolutely synchronized.

And Megan must take of herself and her relationship with her spouse. For so many reasons, she cannot afford to crash physically or emotionally.

Mentoring

Mentoring the next generation and ensuring succession planning will become incredibly important during this time of deep cultural change.

A whole new generation of clinic physician leaders will have to be educated and motivated, since the previous generation will quickly see that their roles in the new schema will have changed to the point where they may not want to participate anymore.

Megan needs to look for a long-term successor who will carry the change forward at some future point.

Key lessons

In stable, successful organizations, it is often only the leader who first senses the potential tectonic shifts in the environment for the organization.

Once she senses that the model has changed, the leader, often lonely because everyone else just wants to keep on doing what they've been doing, must bring the guiding coalition together to create the sense of urgency that allows the problem to be addressed.

In many cases, radical shifts in the tools (people, process, money, hardware, procedures, priorities, and culture) are required.

The leader must acknowledge and adapt to the stress and personal challenges of leading in a time of crisis. She needs to reach out for as much help and support as possible.

7 ROLES GREAT LEADERS DON'T DELEGATE

The leader must balance the exigent necessities of chaotic decision-making with the patience associated with complex decision-making.

A whole new generation of leaders will have to be identified and groomed for the new reality.