

# Foreword

HEALTHCARE'S SHARE OF the US gross domestic product is expected to rise from 17.8 percent (\$3.5 trillion) in 2015 to 19.9 percent (\$5.5 trillion) by 2025, according to a 2017 report from the Office of the Actuary at the Centers for Medicare & Medicaid Services. These are staggering numbers. Fortunately, as Dr. Andy Agwunobi shows, it's possible to lower costs while producing better patient outcomes.

The elixir lies in better management and, in particular, de facto physician co-ownership of the challenge. If the considerable capabilities of physicians to help can be harnessed, better care is available at lower costs.

Andy's lessons are those not of an armchair professor but of a highly credentialed medical doctor and health system CEO. His methods are innovative but consistent with what we know about the management of expert talent, and doctors are exceedingly talented individuals with good hearts and capable of much more than is usually asked of them. In his "insider's guide," Andy lays out how activating the cooperation capabilities of physicians can improve the management of a health system. It's not so much a case for getting incentives right—although that matters—but for bringing often-disillusioned physicians into the management process.

But how do healthcare executives get physicians to co-own not just patient outcomes but also operational, financial, and strategic goals? Andy explains how to tap into the altruistic instincts of doctors and their problem-solving capabilities. Part of the solution is for

executives to demonstrate an appreciation of the physician's everyday experience by, for example, scrubbing-in with surgeons. The conversion of doctors to coleaders requires organizational respect and recognition for the physician. Physicians are not to be cajoled but rather are to be invited to join the top management team as fellow travelers and treated more as clients than as employees. Putting the doctors first in terms of recognition, respect, and commendation is part of the Andy Agwunobi elixir.

This collaborative, shared-power and shared-responsibility model for management has its origins in Silicon Valley. The allure of Fairchild Semiconductor and Intel in the 1970s was that, for the first time in the electronics industry, the finance gurus from New York City were marginalized and scientist engineers such as Bob Noyce and Gordon Moore were put in charge. This approach was revolutionary for business and is revolutionary in healthcare today as MBA doctor-managers take executive roles in many systems. The Agwunobi approach allows physician leaders to make decisions such as hiring staff, implementing new services, and changing schedules.

Andy maintains that a shift is needed from executives holding all the power to executives sharing the power with physicians, which enables executives to bring necessary transformation to their organizations.

The catnip that stimulates this physician–health executive nexus is data analysis. Data indicate only directional change, but data analysis can help build understanding of problems. Doctors pay attention to evidence; they are used to diagnostic tools in medicine that involve visualization (e.g., CT scans). It is smart to arm them with data that can settle arguments, or at least focus discussion in a meaningful manner. Management approaches that are evidence based, insight driven, and theory informed have a good chance of helping hospitals and health systems simultaneously lower costs and improve patient care.

All this is not easy. But it is possible, and those who adopt the Agwunobi way can help make it happen. We at the Berkeley Research Group are fortunate to have had access to Andy's leadership

and experience implementing new approaches. We can attest that it works, and so can the hospitals and health systems that have worked with us.

Today's sharing economy, popularized by Airbnb and apps such as Uber, is about tapping into the physical capital stock that is locked up and underutilized. The fact that the intellectual capital of our doctors has been caged for so long is a pity. The Agwunobi strategy to unlock human capital is, of course, much more than an app, but its benefits are similar. The beneficiaries are patients, doctors, and our overburdened payers—society at large. Let's hope readers will see this ever so clearly and quickly be part of reforming a system desperately in need of a transformation.

*Dr. David J. Teece  
Institute for Business Innovation, UC Berkeley  
Chairman, Berkeley Research Group*