Preface

My dad was a physician. My earliest memories were of Sunday family meals in the hospital cafeteria, down the hill from our home, just outside Boston. It was my first experience with a restaurant offering unlimited choice—or so I thought until my parents informed me that I had to finish *everything* I put on my plate.

In a way, we are dealing with similar issues today. How much choice should we have in healthcare? What will each of us be responsible for? What is the balance between the private-market provision of services and public care? More fundamentally, is healthcare a right, or is it a service to be "earned" on the basis of income, need, insurance coverage, or some other measure?

While these are critical questions, they are not the focus of this book. Rather, this book is for those healthcare leadership teams across the healthcare spectrum struggling to define a strategic direction and execution plan given the range of uncertainties they face. In the military, the fog of battle is now characterized as a VUCA world: **v**olatile, **u**ncertain, **c**omplex, and **a**mbiguous—an apt characterization of the US healthcare system as well.

How, then, can leaders plan for, and ideally embrace, such uncertainties? This book is a how-to, strategic planning manual for healthcare leadership teams facing the ever more challenging VUCA world of US healthcare.

One theme found throughout the book is the need for healthcare leaders to consider transformative change, which is fundamentally

different than incremental change. As John Kotter explains (Kotter and Cohen 2002, ix):

> By transform, I mean the adoption of new technologies, major strategic shifts, process reengineering, mergers and acquisitions, restructurings into different sorts of business units, attempts to significantly improve innovation, and cultural change.

Incremental change—improving current operations, raising quality metrics, enhancing patient satisfaction scores—is essential. But these efforts are not enough to meet the changing demands of the US healthcare system. Hospitals and health systems must also pursue transformative change to expand the way healthcare is managed, financed, and delivered.

This mandate raises three challenges for healthcare leaders. First, while incremental change may be insufficient, it is a necessary precondition for driving transformative developments. Only by freeing up resources from increasingly efficient operations can organizations invest in transformative initiatives, which typically take several years to yield positive returns. Hence the focus of this book: meeting the needs of today *and* tomorrow.

Second, while incremental changes to existing, ongoing operations can be identified through a review of past efforts, in times of uncertainty requiring more transformative responses, the past is *not* prologue, to contradict the expression "What's past is prologue" from Shakespeare's (2017) *The Tempest*. (For a more detailed discussion of transformative change, see Austin, Bentkover, and Chait 2016, 3–4.) The definition of true uncertainty—as opposed to risk management—is that the future will not be similar to the past, possibly not even in the realm of what was foundational in the past. True uncertainty means that no data set is readily available to define future choices. (Note that the term *uncertainty* as used in this book is not meant to describe so-called black swan events, or those that

occur once in a hundred years. For an exploration of uncertainty in terms of rarely occurring events, see Taleb 2010.)

Third, truly transformational change transcends existing systems. Its effects are best realized when the past ways of operating are restructured, revised in ways that are difficult to envision on the basis of past perspectives. For example, electricity influenced manufacturing processes only when "factories themselves were reconfigured" (Harford 2017, 18) in the 1920s—not when electric motors replaced steam-driven motors in the late 1800s. More recently, companies that merely invested in computers in the late 1990s saw few immediate benefits, unlike those entities that reconfigured their operations, "decentralizing, outsourcing and customizing their products" (Harford 2017, 18), to realize enormous productivity gains.

Do these lessons mean that leadership teams have no strategic guidelines or teachings from the past that can inform future choices? No, and this book aims to guide leadership teams struggling with the following parallel demands:

- How to keep current operations going while layering on new or transformative initiatives so the organization can be successful no matter how the future evolves
- How to improve the execution of the new plans

Specifically, how should leadership teams plan for the range of uncertainties they face? To mention a few:

- Will payment in the future US healthcare system be based primarily on fee-for-service charges or on measures related to outcomes?
- Will hospitals maintain their current focus on treating the sick who appear at their doors, or will they shift to a population health approach whereby they seek to keep people *out* of the medical facility by elevating and maintaining the community's health status?
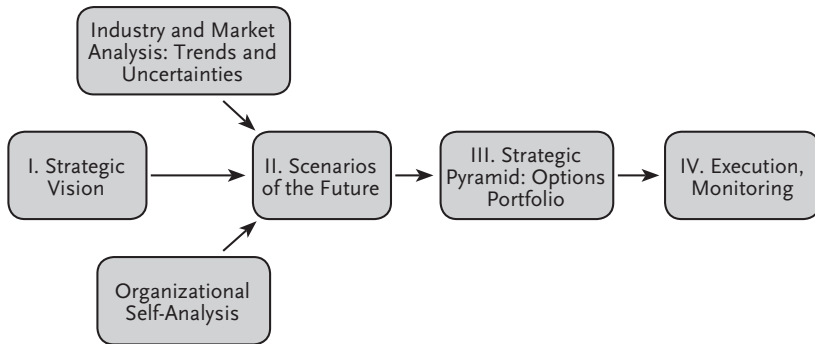
- Will greater emphasis be placed on local payment and care networks, with the federal government shifting responsibilities to states, for example, or will national payment and delivery systems (e.g., similar to Medicare) emerge? Consider that a number of states, such as Washington, Vermont, California, and Massachusetts, are in the process of pioneering new healthcare reimbursement and delivery systems, often starting with Medicare as the payment model (see, e.g., Washington State Health Care Authority 2017).

The premise of this book is that no one knows the answer to these critical questions. The actual predictive power of forecasters, especially the further out one looks, is no better than flipping a coin. For example, Tetlock and Gardner (2015) found that professional prognosticators often get locked into one point of view and thus are often bested by amateur forecasters with a "growth mind-set": balancing determination, self-reflection, and an openness to learning from one's mistakes. Thus, leadership teams need to embrace uncertainty—particularly for long institutional planning time frames—by implementing the following tools and processes:

1. Develop a **portfolio of options** that creates the capacity to respond in an agile way to future changes in the short and long term.
2. Drive **agreed-on changes**—incremental and transformational—throughout the organization that are based on clear, consistent answers to two questions: Why do we need to change, and who is responsible for effecting which changes?
3. Establish **environmental monitoring efforts** that alert leaders to trends sooner rather than later.

The four steps recommended in this book to implement these measures are summarized in exhibit P.1.

Exhibit P.1: Four-Step Process for Leading Transformational Change

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        │ Industry and Market │
        │ Analysis: Trends and│
        │    Uncertainties    │
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┌──────────┐  ┌──────────┐  ┌──────────────┐  ┌──────────────┐
│I. Strategic│→│II. Scenarios│→│III. Strategic │→│IV. Execution,│
│   Vision   │ │ of the Future│ │Pyramid: Options│ │  Monitoring  │
└──────────┘  └──────────┘  │   Portfolio   │  └──────────────┘
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        │   Organizational    │
        │    Self-Analysis    │
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To describe this four-step process, this book is organized into the following chapters:

- *Chapter 1: Mental Models and Strategic Decision Making.* Any strategic planning effort is only as good as the decision-making processes that lead to strategic choices. This chapter, a precursor to describing the actual strategic planning process, outlines the four critical decision traps—frame bias, overconfidence, groupthink, and attribution bias—leadership teams must overcome to be open to new, transformative opportunities and challenges.

- *Chapter 2: Front and Back—Vision and the Strategic Pyramid.* Transformative strategy development begins with a vision that emotionally engages the organization. Any transformation starts by answering: Why change? The strategic planning effort concludes with a portfolio of strategic initiatives—the strategic pyramid—that both keeps the current organization operating ever more efficiently and expands into new, transformative efforts for sustainable competitive advantage.

- *Chapter 3: Strategy Development for a VUCA World—Scenario Planning.* In times of uncertainty, the past is not prologue. How, then, does an organization develop the portfolio of options for its unique vision as outlined in chapter 2? To expand the strategic dialogue and choices of the leadership team, the tool of scenario planning is explored in this chapter. Different from other traditional tools of strategy development, such as a SWOT (strengths, weaknesses, opportunities, and threats) analysis, scenario planning begins in the future, creating a reasonable range of potential futures by which to explore winning strategies no matter how the future evolves.
- *Chapter 4: Successful Execution.* A three-part framework defined by clarity, feasibility, and accountability is outlined to help leadership teams overcome the myriad reasons most strategic change efforts fail. In addition, given the ongoing uncertainties of the US healthcare environment, leadership teams must constantly monitor from the outside in, building flexibility into their plans.

The final choices any leadership team makes depend on the institution's vision, strategy, resources, and capabilities. This book was written to provide the essential frameworks and processes to guide such efforts, improving any team's chances of success in dealing with the challenging, evolving VUCA world of healthcare.