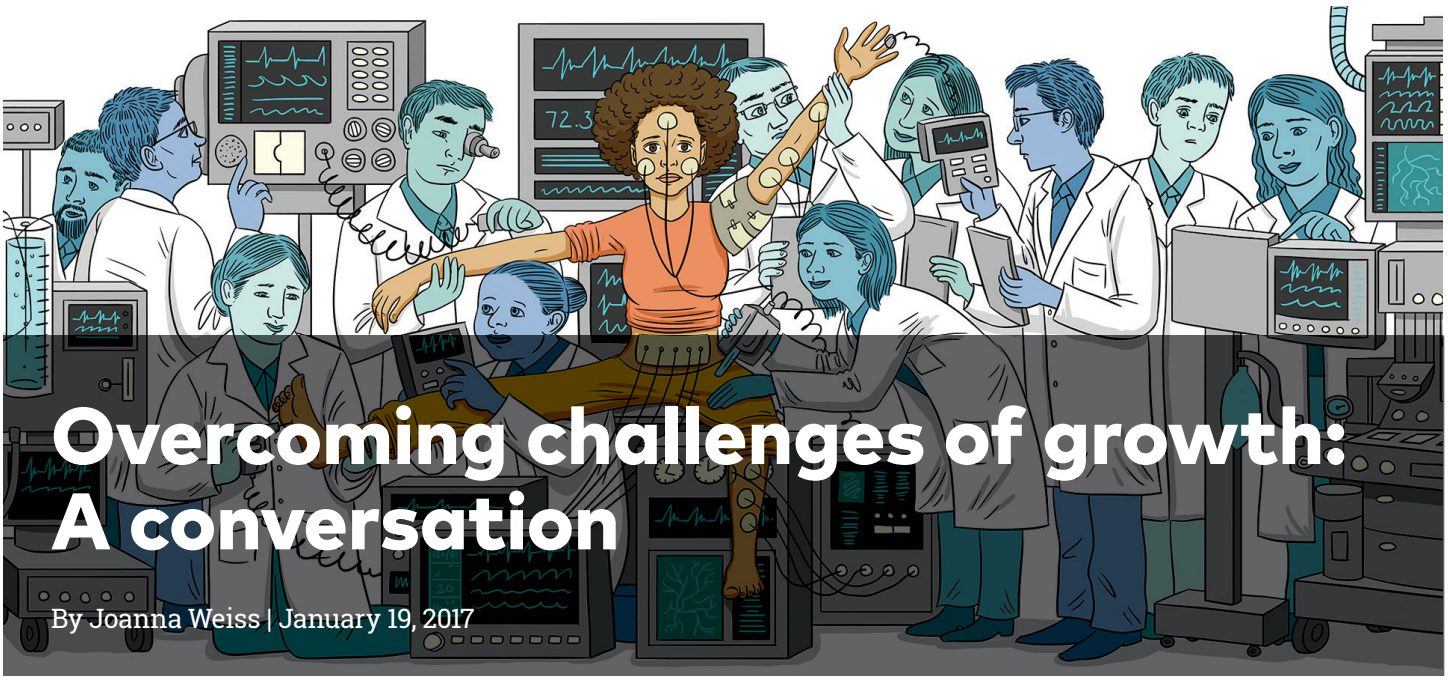

# Overcoming challenges of growth: A conversation

By Joanna Weiss | January 19, 2017

How can organizations, in healthcare and beyond, overcome the challenges of growth? That's a key focus of the work of Josh Gray, athenahealth's vice president of research, who is conducting an ongoing study of high-performing healthcare networks.

And it's the question at the heart of "The Founder's Mentality," a best-selling book co-authored by Bain & Co. partner Chris Zook.

athenaInsight brought Gray and Zook together to discuss their findings and map a way forward for healthcare leaders. Here's a condensed and edited version of the conversation.

**athenaInsight:** You two have been doing parallel work: Finding a quantitative measure of success, then following up with qualitative analysis. And in both cases, your work has found its way to the importance of leadership.

**Josh Gray:** The healthcare industry is getting a lot more complex, and medical groups are getting bigger — both for economic reasons and to deal with that complexity. There are infrastructure investments that benefit from scale. Larger physician organizations typically have high local market share, a lot more bargaining clout with payers, a good advantage in terms of managing supply chain costs. What we found, however, is that something about scale seems to sap a lot of the dynamism from physician organizations.

Most of the large physician organizations we define as "enterprise" — with 151 or more providers — have significantly lower physician productivity. You might think that large organizations would have the business processes in place to be really good at asking patients for money, but they are actually worse than the small practices. And patients are actually less likely to return to the larger organization. When you get to scale, whether it's for profit or not for profit, something is lost.

**Chris Zook:** As the organizations that you deal with become larger and more bureaucratic, I imagine that that's where many of the syndromes come into play. We found that 13 percent of people who work for companies or organizations in America don't have any emotional connection to them at all. But I'll bet if you work for a small, elite, excellent physician practice where everybody really likes the patients, people love that.

**Gray:** That relates to, frankly, where a lot of our provider groups are. They've grown quickly, often by merging with other groups. Their physicians are less engaged. They've lost some of their vitality. If they find themselves in that position, how do they get unstuck? How can they recapture some of that magic they had when they were smaller?

**Zook:** We found that 9 out of 10 stall-outs had origins that were internal. "The Founder's Mentality" is focused on the question: What are the diagnostic characteristics of the business organ? The three big things that we found were, number one, was there a clear purpose that made that group special? Did they want to provide the fastest care or be the most sympathetic to homeless population? Or did they just want to be best at certain things and be known for that? It's the mission statement: What are you going to be the best at, so you are not just "another's doctors practice?"

**Gray:** That's actually a big issue in healthcare, because a lot of the mission statements sound the same.

**Zook:** The second element was what we called "frontline obsession." Is everyone in the organization obsessed with the details that go on in the frontline with all of their time? Are the better doctors ones that find more of their time siphoned off into things that don't relate directly to care?

**athenaInsight:** Keeping a focus on the customer.

**Zook:** And making the heroes of the organization the people that have the best relationship with their patients and the best outcomes.

**Gray:** You had one wonderful anecdote in your book, about Oberoi Hotels.

**Zook:** Yes. M.S. Oberoi began what ended up becoming the No. 1 - rated luxury hotel chain in the world several years. He began in a poor, rural village in India. He managed to buy a hotel in Calcutta that was ravaged with cholera for almost nothing. He persuaded people to stay there through many clever mechanisms and ultimately created the No. 1 hotel chain in the world. Now Vikram, the grandson, visits M.S., the grandfather, who is 93. His eyesight has really failed. He can only see 3 inches in front of his eyes. He finds him still at 10 o'clock on Sunday morning holding customer comment cards and scrawling notes about the temperature of the tea or whatever. To me that just epitomizes the frontline obsession and the founder's mentality.

**Gray:** And from a leader's perspective, just because you run a large, multi-hundred-million dollar organization doesn't really give you license to stop immersing yourself in—

**Zook:** In the right details. Yes. And the third [element] was what we called an owner's mindset, which was about willingness to accept responsibility for things that go wrong — with patients or with individuals or with the organization — and to immediately have an urgency to solve them, rather than hope that somebody else would. I would say every physician who is running a practice should ask themselves, on these three dimensions, how they think they're doing.

**athenaInsight:** How does a large organization motivate its employees to share that mentality?

**Zook:** One healthcare organization looked at is DaVita. It used to be called National Renal Care. It was 18 months away from bankruptcy, had 40 percent turnover, had some of the worst health outcomes in the industry. They began by going back to the basics in each of the 400 centers and finding one integrated measure of health outcome and one integrated measure of how the team would work. They realized that they had 400 centers all operating in 400 ways. They never really shared practices.

**Gray:** It's not uncommon for physicians to only get detailed quantification of their performance intermittently, or when they do it, it's blinded. But our top performers were much more likely to review performance on an unblinded basis. So the physicians are sitting around in a room, and there is nowhere to hide.

**Zook:** At DaVita, all 400 centers were unblinded. People could see who was good, who was bad. What it took to get better — if you were bad — or what it took to drive you bad — if you were good. And that's how you learn.

**Gray:** I think that's very motivational for a physician to think about changing his or her behavior. And frankly, it accelerates the process of the weaker performers, who are somewhat more likely to self-select out.

**Zook:** And of learning. In the world of service businesses, traditional economies of scale are not as relevant. Now, we feel that the No. 1 source of benefit from scale is learning.

**Gray:** One of the other things you talked about is attention to detail and, in particular, to the customer experience. I think the default posture in healthcare is for groups to pat themselves on the back because they measure patient satisfaction. They give surveys, which offer limited value, because in healthcare, it turns out that it is pretty hard for a patient to say, "I wasn't very happy with my doctor."

A lot of our top performers will still measure patient satisfaction, because they have to for regulatory purposes. But they pay attention to the complaints. They build their own surveys. And they are not just looking at abstract satisfaction levels, but: "Let's understand how long a patient had to wait in the waiting room. Let's dissect every complaint, and see if there's anything we can do to our procedures and workflows so that the chance of something like that happening again is minimized." It's a subtle but, I think, really important distinction.

**Zook:** So the patient can trust you.

**athenaInsight:** Speaking of customer trust: You write about Home Depot. As the company got very large, the frontline workers grew disempowered and less connected.

**Zook:** Home Depot was built around an insurgent mission of helping people do it themselves in their homes — giving them expert advice about what paint to use and what hacksaw to buy. And people hugely valued that. When the founders retired, the direction [the new leadership] took was to suck resources out of the very, very profitable core and set up distribution businesses and high-end businesses. To fund that, they began cutting the budgets in the stores. They cut the salary of the frontline employees and turned them basically into clerks: Instead of "Do it yourself," it became "Find it yourself." They let a lot of the more expensive employees go — the ones who had all the knowledge.

As a result, they began to see the satisfaction rates of customers go down. When Frank Blake took over, he said, "We're going to renew the company from the bottom up. We're going to exit all the businesses that were added and reinvest in the people at the frontline." They increased the bonus pool for those people. They brought back awards for the best store managers. They did many things to energize employees from the bottom up. And the stock price, which had gone down 85 percent, not only went back to where it was within two years, but now it's three times higher than it was.

**Gray:** It is so encouraging that an organization so big can be reanimated and get the spark back. Because I do think there is a tendency to say, "Yeah. We're a large organization. We had to grow to be in a defensible position, given all the change in the industry. We have to give something up in terms of intensity." I don't think the tradeoff between scale and intensity is inherent.

*Joanna Weiss is executive editor for athenaInsight. Illustration by Anat Even-Or.*