

# The Next Great Explorers

Only the bravest, most skilled leaders will discover health care's new world

By C.J. Bolster and John B. Larrere

In our work with boards and CEOs, we hear a lot about succession and transition planning, and we think there's more to it than a typical changing of the guard. Thanks to reform, the economy, rapidly changing demographics and recent scientific advances, the CEO role is undergoing a transformation, and some hospitals may not have the right leader to create the health system of the future.

What skills and competencies will CEOs need that were not required of their predecessors? After all, being a leader in the new health care environment means facing more unknowns than ever before. It's a new world, and — like Columbus, Ponce de León, Cortés and other great explorers of the 15th and 16th centuries — a spirit of discovery is required.

The health care leader, the politician and the citizen in the voting booth know there is a better way to facilitate and pay for care. This new world is out there somewhere, and we need daring, savvy and visionary leaders to take us there. Many of the great explorers began as master mariners



whose merchant voyages took them across familiar waters to known ports. But when they finally ventured beyond their safe harbors, they had to learn more about fundraising and political risk-taking than ever before. The transition from merchant seaman to global explorer raised the level of complexity and the stakes — but also the rewards.

Based on our experiences working with major health care organizations and following the changes that reform is creating, here are five areas where CEOs and other senior leaders will

need to develop additional expertise to navigate the deep waters ahead.

## 1 Political Savvy

Just as great explorers needed to gain access to the monarchs of their day, the 21st century leader must be able to understand, influence and negotiate with the political establishment. A lot of deep-seated and subtle dynamics will emerge from an organization's dialogue with federal, state and local governmental representatives and their staffs.

One top-level health system — a re-

gional academic center that is also a critical economic engine in a cash-strapped state — is preparing to work with the state government on a scale at which it has never before participated. The new CEO will build key relationships that will lead to new sources of mission-critical funding. As it fulfills its mission of providing care and training physicians, the system has developed a vision of its region's health care future as well as its current and potential economic impact.

The big challenge: an unstable and possibly unfriendly state, regional and local political system. Much of the future revenue and ability to build the health system's architecture successfully will depend on its ability to influence state and local political processes. This is a daunting task involving rural legislators, urban leaders and health care professionals. It requires a governor and the state health planning and departments to support one or two large consolidated systems instead of several weaker ones. Success will depend largely on knowing the key political players as well as those who will replace them. It is so much more than a once-a-year trip to the state capital or to Washington, D.C.

**2 Influence**  
Leadership will need to be even more strategic and involve more risks and complexity than it did a generation ago. Success used to be defined as increased efficiency, improved quality and — returning to our explorer analogy — running a tighter ship. But today, CEOs are making new decisions around aggressive mergers and faster-paced consolidation. They are making more billion-dollar decisions. Reform drives this, as do new developments in gene-based medicine.

Adding business lines involves bringing new and different talent into the organization. For example, the employment of physicians and the formation of some sort of large group practice dramatically will change the way a leader influences the organization. These emerging groups of high-achieving professionals who expect to

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be involved in strategic decision-making hold many of the keys to long-term success. They will become the new world's most critical assets.

In this new world, health care leaders will need to be masters of the art of influence. One-on-one persuasion will remain a key component. But a health care CEO must achieve influence by maintaining a consistent vision among a team that is spread across the organization. Are the organization's unique levers — such as compensation, reward, succession, promotion and communication strategy — primed for a broad new structure and aligned with the CEO's message? Is the culture conducive to change and risk? Perhaps most important, the influence a health care CEO wields must have a long-term, culture-changing effect. It's about winning followers by engaging everyone in an ongoing narrative that takes on a life of its own.

**3 Navigational Chops**  
Consumers don't care that your hospital is responding to a sea change. They expect high-quality service today. At two major urban teaching hospitals, there's a concerted effort to continue business as usual while preparing to set sail for uncharted waters. Each is positioned to be a destination health care center as long as they keep their reputations intact while they face new challenges. Meanwhile, payers and boards expect ever-increasing efficiency and proper financial results as leaders scramble to reinvent themselves and their organizations.

Over the past 10 years, high-performing health systems worked hard to meet all those expectations and master operational performance. All

will have to sustain this and simultaneously redesign their business models. In other industries, only a few companies have been able to pull this off. Apple and IBM have performed consistently and reinvented themselves at the same time. The world is no longer flat and stakes are higher now; the complexity has increased.

**4 Adaptability**  
The ability to scan the open seas, conceptualize new patterns and opportunities, identify a path and be willing to take the risk to get there will be key competencies. For example, a leading health system that started a health plan many years ago chose to keep it in the early 2000s when many others were selling. Today, the system is consolidating its employed physician practices into a single, multispecialty group practice.

In the past, the system's components — its divisions, insurance business and clinical practices — were organized to optimize the prevalent reimbursement patterns. Now it has all the components and market share necessary to lead in the New World. Its leaders must rethink how these important parts will be put together to take advantage of new opportunities.

Additionally, like many hospital-centric organizations, the culture revolves around its acute care component. This is no surprise, as all the other components of the organization were designed to feed the highly profitable acute care division. Depending on how quickly the payment systems change, this historic strategy and culture will be turned inside out. The role of the insurance company and the physician group will become much more important in sustaining market share and managing health in a cost-effective way.

Maintaining the large market share also will be critical in sustaining the acute care division. After all, patient populations must be large enough so that physicians have the opportunity to diagnose and treat rare diseases. Subtle changes in macro use rates can have a significant impact on high-intensity acute care programs. Having enough volume to sustain the capability in these programs will be essential to high-quality outcomes and cost-effective care.

## 5 Communication

How well can your hospital's leaders frame and discuss environmental and political issues, and the key stakeholder concerns at your organization? Sure, Columbus made a great fundraising pitch, and he proved himself a world-class navigator. But had he not been able to rally his crew with a consistent message that they could embrace, he likely never would have made it to the New World.

Imagine for a moment that your organization is like any of those previously mentioned. The board and senior leaders have built relationships with local politicians, they have figured out a successful path and they understand the transition from the present to the future. All will be for naught if the CEO and leadership team are unwilling or unable to tell and sustain a compelling narrative.

Pulling your organization along with you is more like a campaign than a typical communication process, which historically has been periodic and top down. But big change requires a well-thought out campaign strategy. The 21st century health care executive will be a champion for big projects, mergers and innovative medicine — all focused on helping the system and the community reach the pristine shores of a better tomorrow.

Think about Apple, its powerful narrative and the impact Steve Jobs made standing before a live audience to introduce new products. Apple's narrative resonates with its customers. Similarly, health care leaders need to craft, tell and repeat a narrative that reinforces

the desired culture. There are many ways to spread culture through communication — and the health care CEO in the new world will be a master of all available networks. Leaders tell the story; networks spread it. And in today's wired world, a counter-story — a narrative you don't want — can circulate around the network or even cascade from a disaffected leader. Effective leaders need to spot and address the false narrative, lest it lead to division, confusion and lost opportunities.

Still, even when we embrace and practice new behaviors, old behaviors often creep back into play. Successful leaders tap the influential people in their networks to learn the narrative and retell it, further reinforcing it across the organization.

## 6 Beyond the Horizon

The old skills still matter. That's what gives leaders standing in the political conversations they have with government representatives. Columbus's reputation as a captain got him an audience with the queen. But making it to the New World required an entire suite of new capabilities.

There are two choices for health care: first, we can make cuts and save money. Whoever picks up the pieces simply picks up the pieces. The second option, although riskier, plays to our American ideals of Manifest Destiny. That is, we will get there because we have the will and the spirit. We will discover a better way because we know one is out there.

As a board member, this is important as you think about the next generation of leaders in your organization. You need to know what sort of mariner should be at the helm. After all, the waters are treacherous, and other organizations are realizing they need the same sort of captain to get them to the distant shores. The model of the successful health care executive is changing. Can you afford to miss the boat? **T**

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