

Instead of *thinking* our way to a new way of *acting*, let's *act* our way to a new way of *thinking*.

John Kenagy

**Choosing to Thrive in 21st Century Healthcare:
The Adaptive M2S2**

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It is a good news/bad news/good news story for healthcare.

The good news is that our work is important and will never go away.

The bad news is that many healthcare organizations are not on the path to thrive in the 21st Century. Now, back to good news – we can do something about it!

The drivers of success in healthcare have changed. While 20th Century healthcare prospered on improving quality and *increasing* cost, thriving in the future requires providing *more and better care* and *continually lowering cost*.

This paradigm shift demands change--in thought *and* action. That means making new choices and, as Shakespeare wrote, "Therein lies the rub."

The fact is, *most* healthcare organizations will find it difficult to make choices that differ *from those that led to their past success*. But that does not have to be you.

The history of innovation shows that the successful "few" make choices that the unsuccessful "many" don't. The focus of Adaptive Design is to enable the "few" to become "many" making the right choices.

Last year Harvard Business School Professor Clayton Christensen and I each wrote "think pieces" for the Advanced Leadership Initiative at Harvard University's Innovations in Healthcare Think Tank.

Clay used his concept of "disruptive innovation" to explain why *most* successful organizations rarely lead when their industry transforms. His *Think Piece* outlined this troubling scenario: The history of innovation shows that most of the current leaders in healthcare will not solve the dilemma of how to provide better care and continually lower cost. My *Think Piece* explored the *why* factors, and *how* to solve the problem. This paper is a revised, updated version of *why* and *how* you can make a difference.

Compare these two lists of great companies. List 2 is on the right for a reason! What's the difference between List 1 and List 2 performance?

List 1	List 2
Digital Equipment, Seattle Computer	Apple, Microsoft, Intel, Oracle
Macy's, Marshall Field, Sears	Target, Amazon
GM, Ford, Daimler/Chrysler	Toyota, Honda
US Post Office	Federal Express
United, American, Delta	Southwest Airlines
IBM, Microsoft	Google, Apple

Here's the difference: The List 1 companies were the leaders but failed to develop or incorporate innovations that created a dramatic, new level of *performance and business value* in their industry – performance that created *more value for less cost*.

The List 2 companies obviously made *choices* that the List 1 companies overlooked. Here's a new, adaptive insight into why: The List 1 companies relied on traditional 20th Century management **Mindsets**, **Methods**, **Strategies**, and **Structures (M2S2)** that focused on optimizing their past success.

Since the Industrial Revolution, successful companies have used past success to design their futures. This is the scenario: When you find something that works, the **Mindset** is, "Don't reinvent the wheel! Do what works and make it better!" So we *optimize* by gathering data, standardizing the work, streamlining process, implementing best practices, buying technology and monitoring results (**Methods**). Add to that a lot of meetings analyzing, predicting and planning (**Strategies**), then aligning incentives and holding people accountable to the current system in hierarchical organizational **Structures**. This familiar 20th Century optimizing M2S2 works great – until it's time to reinvent the wheel!

A changing world demands continual innovation. Juxtapose that demand against a traditional organizational M2S2 hard-wired to optimize what's worked in the past and you have defined adaptive leadership opportunity #1.

There is a second opportunity beyond creating flexible, responsive organizations. John Kenneth Galbraith described it well, "When faced with the choice between changing one's mind and proving that there is no need to do so, almost everyone gets busy on the proof." That's adaptive leadership opportunity #2 – changing minds.

Recent advances in neurophysiology show that human brains become hard-wired to repeat what they *know* how to do and be non-consciously threatened by what they *don't know* how to do. (For more on the neurophysiology of leadership, refer to my White Paper, "Leadership Versus the Brain," at <http://johnkenagy.com/resources.writing.php>). This combination creates a double whammy for leaders: Not only is the organization inflexible, *our marvelous human brains are, by nature, designed to repeat what's worked in the past and be threatened by the new and unknown*.

The evidence proves this double whammy is very real. For example, according to Harvard Professor Clayton Christensen's studies of hundreds of companies, it's "almost impossible" for List 1 to compete on List 2. They can't make the choices that lead to List 2 performance. That is, their established Mindsets, Methods, Strategies, and Structures (M2S2) can't make the choices.

However, "almost impossible" is not impossible; it's possible! Fortunately, another set of choices exists. My research, beginning when I was a Visiting Scholar at Harvard Business School, has focused on the few companies who adapted to compete with List 2 performance.

Adaptive Design Shows the Way to Create the Future of Healthcare

The pathway to success is reassuringly predictable. Over the past twelve years, many organizations have tested and refined Adaptive Design as a replicable method to deliver more care for less cost. (The results are documented in my book *Designed to Adapt: Leading Healthcare in Challenging Times*). For example, Mark Lindsay, MD, Quality Officer for the Mayo Health System says, "Based on my Mayo Health System experience, I have one word for Kenagy's Adaptive Design model: *Brilliant!*"

My current work focuses on how to make successful innovation the default response of every organization in changing times.

The history of successful innovators shows us how to start. Here's Lesson Learned #1 – Success starts by making it safe and easy to ask a simple question: "Will what got us here, get us there?" In my research, the successful adaptive innovators always answered, "No!"

Saying "No" opens the door. You can feel proud about where you've been and what you're currently doing. There is no one to blame; the world's just changed. To succeed at more care for continually less cost you now know your focus needs to move beyond optimizing the past to making your future – that's where creating a new *Adaptive M2S2* delivers.

Lesson Learned #2: The next steps of successful innovators are simple—and visionary. Instead of moving information up to people in meetings to analyze, plan, and implement, they develop and coordinate rapid decision-making close to where information is generated *and value is created* at the frontline.

These choices are streamlined and straightforward: Get close to the customer, align innovation with a meaningful purpose, then make it safe and easy to capture the knowledge and creativity of everyone to identify and act on opportunities to improve.

Lesson Learned #3 - We can *choose* to work differently. We can *choose* to create much more value for much less cost. We can *choose* to get out of the measure/meet/analyze/implement box. Instead of choosing to *think* our way to a new way of acting, we can act our way to a new way of thinking.

Adaptive Design has been acting its way to a new way of thinking at the frontline for more than a decade. Now it's time to turbocharge this opportunity by transitioning management from *measuring, meeting and implementing* to *doing, learning and leading*. That's the objective of creating a new, Adaptive M2S2.

So let's get started. Since "what got us here won't get us there," the answer is not gathering and analyzing more numbers in meetings. Today's 21st Century healthcare is far too complex, dynamic and unpredictable.

Think about it: How often have you walked out of your boss's office thinking to yourself, "He (or she) really does not understand what I do!" Now multiply that frustration and lack of understanding through all the layers of your organization.

This is truly a "good news/bad news/good news" scenario. The good news is that we work in a life-affirming and life-saving business. And we don't lack intelligence, leadership, commitment or ingenuity.

The bad news is that we are stuck with an *antiquated management model* that developed during the Industrial Revolution to move information up to decision-makers via meetings and bureaucratic systems. It's an M2S2 that does not work in the complex, dynamic, unpredictable world of 21st Century healthcare.

Now, back to good news: We *can* do something about it. Management theorist and consultant Peter Drucker, stated: "We have to accept what we all know is elemental – that taking a defensive position can, at best, only eliminate losses. And we need gains."

Gains like the following flow from Adaptive Design and have already been successfully used to create more care for less cost:

1. Align and inspire with a meaningful Purpose – Ideal Patient Care.
2. Develop people – not things – as your #1 resource
3. Make it safe and easy to successfully link information to action to results for patients in real-time as a continuous learning experience. Then, never stop.

To be healthy, resilient and thrive in 21st Century healthcare means providing more and better care and continually lowering cost. How truly healthy and resilient is your organization? Gary Hamel, internationally recognized leader in management innovation, says, "To be resilient, we must dramatically reduce the time it takes to go from 'that can't be true' to 'we must face the world as it is.'"

Facing the world as it is will allow us to do what we want, but haven't been able to do. We can finally listen to and empower the people who are committed to serve. They went into healthcare to make a difference, but the current, traditional M2S2 cannot listen or empower. The new Mindsets, Methods, Strategies and Structures that create an *Adaptive M2S2* listen, give people the control *and then hold them accountable* to make a difference. In doing so, we can all, together, provide more and better care and continually lower cost. Facing the world as it is, isn't that what we all really want?

Making the choice to learn, lead, adapt, and thrive is the beginning. And, the last time I checked, the beginning is a very good place to start. And where we are going is clear -- our opportunity is to develop the adaptive capacity of our current resources to provide more and better care *and* continually lower cost; and never stop! That's the *good* news.

Dr. John Kenagy is a physician, healthcare executive, scholar, author, advisor and, most importantly, a patient. His book *Designed to Adapt: Leading Healthcare in Challenging Times* was named 2011 Book of the Year in Healthcare Management by the American College of Healthcare Executives. Email him at john@johnkenagy.com or see www.johnkenagy.com.

Addendum – “Facing the world as it is” is a conscious decision. Two new Adaptive Design resources are designed to help organizations make that decision to learn, lead, adapt and thrive:

1. An ***Adaptive Design Innovation Assessment*** enables your organization to quickly and safely ask, “Will what got us here, get us there?” If the answer is “Yes,” you know it's safe to just continue optimizing. If it's “No,” you have discovered new opportunities to develop new choices.
2. ***Experience Adaptive Design Course*** is an on-line learning/doing course designed to create new choices, make developing new opportunities possible for any healthcare organization and simultaneously improve care at lower cost. The course is currently in a nation-wide beta test and will be available early in 2013.