

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**

John W. Kenagy, MD

February 8, 2011

The New Year of 2012 has started with 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 thrived on improving quality and *increasing* cost, prospering 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 my writing and work this year will involve helping the "few" make 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. A revised, updated version follows.

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
Macy's, Marshall Field, Sears	Target, Amazon
GM, Ford, Daimler/Chrysler	Toyota, Honda
Merrill Lynch, Lehman Bros.	Vanguard, Bloomberg LP
United, American, Delta	Southwest Airlines
IBM, Microsoft	Google, Apple

The List 1 companies were the leaders *until they failed* to develop or incorporate innovations that created a dramatic, new level of performance in their industry, performance that created *more value for less cost*.

The List 2 companies made choices that the List 1 companies overlooked. Here's 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, and monitoring results (**Methods**). Add to that a lot of meetings analyzing, predicting, and planning (**Strategies**), then aligning incentives and holding people accountable in hierarchical organizational **Structures**. This familiar 20th Century M²S² works great – until it's time to reinvent the wheel!

A changing world demands continual innovation. Juxtapose that demand against an typical organizational M²S² hard-wired to optimize what's worked in the past and you have a 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 very 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, *human neurophysiology is, by nature, designed to repeat what's worked in the past.*

The data proves this double whammy is very real. 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, the 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.

The pathway to success is reassuringly predictable. For the past twelve years I have been using Adaptive Design to test and refine a new method and approach that enables healthcare leadership to deliver more care for less cost. It's an Adaptive M²S² (see [The Adaptive M2S2 – The Way to Move Healthcare Toward Ideal](#) for more detail on how it works). It's ready for primetime. It's the way to create a whole new set of choices.

The history of successful innovators tells us how to start. Here's Lesson Learned #1 – Success starts by asking a simple question: "Will what got us here, get us there?" Successful innovators always answer, "No!"

Saying "No" opens the door. We can feel proud about where we've been and what we're currently doing. There is no one to blame; the world's just changed. To succeed at more care for continually less cost we need a new way to continually generate innovations - an Adaptive M²S².

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 at the frontline.

The 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 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 *thinking* our way to a new mode of acting, we can choose to act our way to a new mode of thinking.

Adaptive Design has been acting its way to a new way of thinking for more than twelve years. The results *always* create more care at less cost. 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.*"

Now it's time to turbocharge this opportunity by transitioning management from *measuring, meeting and implementing* to *doing, learning and leading*. It's an Adaptive M²S².

So let's get started. Most of us know that the answer is not more metrics and 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 through all the layers of your organization.

It 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 this: "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 the Adaptive M²S² now being successfully used in 21st Century healthcare:

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

To be healthy and resilient 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” is a conscious decision. Making the choice to learn, lead, adapt, and thrive with an Adaptive M²S² is the beginning.

And, the last time I checked, the beginning is a very good place to start. Join me this year at www.johnkenagy.com as we work together to define, craft, and celebrate the new healthcare Adaptive M²S².

Now 2012 promises to be an adaptive and Happy New Year. 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