



# Academic Medical Centers and organizational culture

## Addressing powerful changes in health care by transforming culture

### What's at stake?

To remain competitive and counteract — or even take advantage of — the powerful forces driving change in health care, Academic Medical Center (AMC) leaders should leverage the fundamental tenets of their organization's mission, vision, and values to understand deficits within their current culture. In the recent past and for the foreseeable future, health care provider organizations face only one constant—change. The shifting landscape of consumer and population health needs, regulatory requirements, and downward cost pressures are just a few of the challenges providers have been addressing. Collectively, the attempts of AMCs to face these challenges result in four common groups of changes, such as transforming delivery of clinical services. Not only is culture a critical enabler of these changes, but the most innovative, leading AMCs use their culture as an important competitive differentiator.

The culture of the traditional AMC typically has revolved around peer rankings and institutional prestige associated with cutting edge clinical treatments, offering a variety of clinical trials, innovative publishing and research, and the ability to attract and teach the best and brightest medical students, with clinical care as a supporting leg of the tripartite mission.

While this focus should remain, AMCs face new sets of challenges that more traditional not-for-profit and for-profit providers have already started dealing with, as well as challenges unique to the AMC world.

These challenges have led to questions about the organizational cultures of AMCs and how these may need to change and adapt:

**Payor relations** — increased scale of health plans has allowed payors to lower reimbursement rates for planned care. This has caused an increased focus on clinical efficiency, a sea change in thinking for most AMCs.

**Consumerism related to information accessibility** — portability of health information has created a shift from patients to consumers. Consequently, maintaining revenue numbers requires looking past basic levels of treatment into patient satisfaction. This requires a shift in mindset to become adaptive to patient needs and promote self-directed patient care.

**Flat federal funding and looming reduction in grants** — cuts in funds have placed even more pressure on providers to diversify revenue sources; namely, an increased reliance on the clinical organization. As many AMCs have top leadership composed of clinical researchers and educators, this implies that clinically focused physicians may have a more prominent role to play in shaping the future culture.

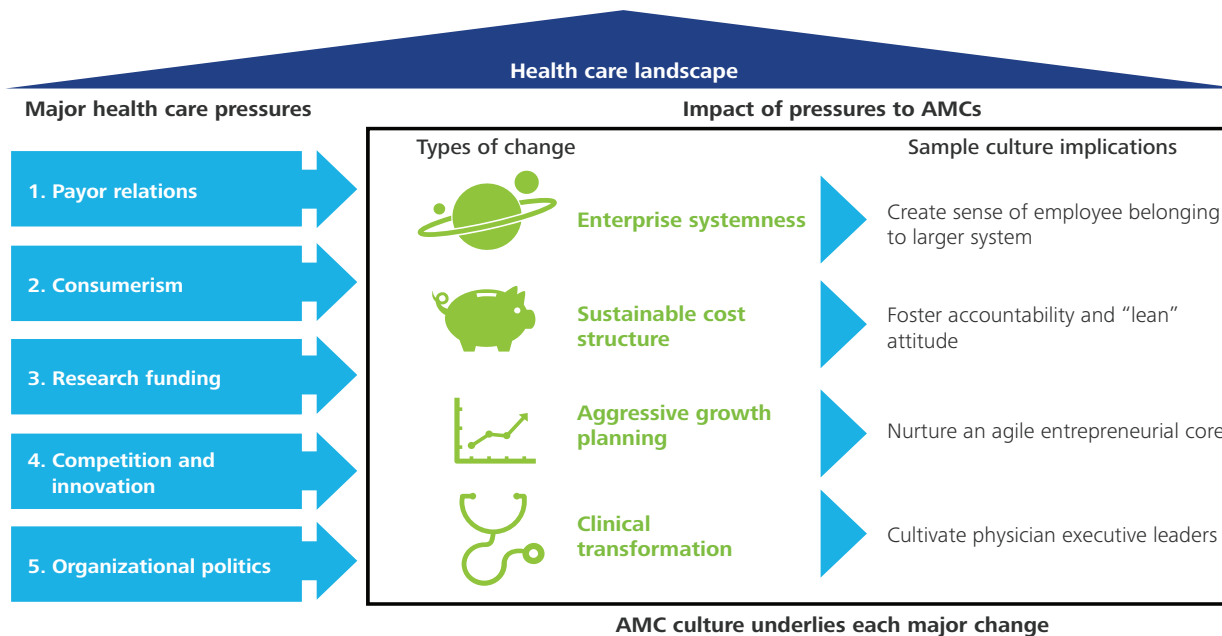
**Increased intensity of competition and innovation** — new health care advents like Accountable Care Organizations place more pressure on providers to focus on outcomes, rather than procedure volume. This volume to value shift demands a change in the way both administrators and clinicians think about delivering care.

**Organizational politics** — complex governance structures and operating models that provide leaders with limited decision-making authority across multiple organizations—such as the academic institution, school of medicine, care facilities and research facilities—have become a larger problem as leaders struggle to align around reining in costs and establishing and implementing a new strategic direction. The culture of the future AMC must be nimble enough to make decisions despite more traditional organizational politics.



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AMC executives should consider making a significant number of large scale changes to remain competitive, or even merely to survive. Change is particularly difficult for large, complex, tradition-based organizations like AMCs that have a substantial academic mission as well as an imperative related to clinical care.

Culture becomes relevant as executive administrators and physicians attempt to accommodate these changes. In order for the organization to make a pivot in any of these key areas, they should first modify the cultural barriers and politics at hand.

# Our take

## Types of change

Each of the 5 major pressures on the health care organization – payor relations, consumerism, flat research funding, competition, and politics – typically results in one of four different types of transformational change on the part of AMCs. None of these changes, however, can be successfully implemented without a healthy and vibrant culture that is adaptive to and accepting of change. Culture, defined as a system of values, beliefs and behaviors that influence how work gets done within an organization, may be one of the most critical enablers for the future success of AMCs. A culture that is misaligned with the organizational strategy or not open to significant change to organizational strategy and goals may lead to failure to achieve organizational goals as physicians, clinicians, and employees refuse or are unable to adopt the behaviors necessary to succeed in the organization. As AMCs pursue transformation, they should first align their culture with planned strategic changes. While each of these types of change possesses its own unique challenges, they may be addressed in a common way by assessing and realigning culture to make sure it exhibits desired qualities to support transformation.

### Enterprise systemness

In order to counter the prevailing forces of change in health care, AMCs are increasingly changing the entirety of their underlying strategy and operating model, defined as how different business units of an organization align against geography and functional groupings to accomplish the fundamental goals of the organization. This enterprise-wide transformation typically signals a movement toward more “systemness”, or creating large, system-wide and integrated clinical and operational functions—for example, designing a cardiovascular service line or centralized system administrative functions. Previously, many hospitals functioned as holding companies, with services delivered independently at each hospital. The shift towards “systemness” implies the need for one, unified culture across the entire health system rather than separate cultures for each individual site of care.

A key part of this cultural shift involves evaluating how decisions are made at the System versus local levels. Oftentimes, this is where stakeholder resistance comes in: because facility CEOs may be accustomed to having decision making authority and control, it can be difficult to shift to a system-wide model.

Powerful leaders with adherence to the old localized culture may inspire resistance among their employees. Similarly, physicians who feel control slipping away from their local practices might ignore the changes. This confusion and low level of engagement could lead top talent across the legacy organizations to consider looking for jobs elsewhere, cause operational paralysis, and limit organizational progress.

### Enterprise systemness: case in point

A large, academic medical center recently began a two year journey to transform its clinical, operational and financial processes. The CEO and President both believed that culture was the most important element that needed change in order to support the transformation. They brought the leadership team together to build a future state culture and define the values and behaviors to support that culture. Employees were engaged in the process through a culture assessment and focus groups to define the future state culture. This leader-driven process enabled the AMC to maximize the benefits of the transformation by enabling a culture that aligned to it.



### Sustainable cost structure

One major change driver is when providers are forced to radically cut costs – an increasingly prominent reality given the health care landscape – which is often accomplished by reducing inefficiencies at both the system-wide and functional levels through an examination of current processes, technology, and organizational structure. This too, however, requires a close examination of culture by creating the need to foster an organization-wide attitude toward prioritizing cost-consciousness.

This effort can be challenging; managing the perception around creating a sustainable cost structure can be difficult in a difficult economy, where employees can perceive a focus on costs as a sign of impending layoffs. Consequently, this requires a dual focus on not only creating a culture of cost awareness, but also building a corresponding emphasis on trust and transparency. Using that approach, executives can activate the entire organization to support a sustainable cost structure, rather than facing organizational barriers at every turn.



## Sustainable cost structure: case in point

A large regional system with a prominent AMC aimed to cut \$100M+ of cost out of the system by undergoing functional transformations, starting with a movement toward a shared services Human Resources (HR) function. While in concept a good move with high ROI in cost reduction, regional CEOs balked at the loss of control associated with a shared services model. Local leaders believed that they might lose control of the HR services to which they were accustomed and that the standardization across the system could be sub-optimal rather than leading to greater effectiveness. This cultural resistance to change slowed the transformation efforts. Consequently, the Chief Human Resources Officer (CHRO) recognized that cultural transformation acted as prerequisite to broader cost cutting. He immediately took action to align key local and System leaders by communicating benefits and soliciting opinions. He emphasized the governance structures that would allow employees and regional executives to have continued input into the new model and created mitigation plans to address the organizational culture of consensus and regionally-driven decision-making.

Although the HR shared services transformation eventually succeeded, this case study shows how culture can be challenging to even the best-formed strategy. It also, however, demonstrates the ways in which cultural interventions can bring the execution of strategy on track.

## Aggressive growth planning

As some AMCs struggle with system-wide transformation, others examine how they can achieve increased scale through rigorous M&A activity or ambitious, innovative growth plans within certain programs. Achieving clinical growth has become even more critical as other revenue sources have slowed or stopped. Increased scale via growth solves this and many other challenges associated with the health care landscape by providing improved clinical prestige, allowing leading practices to be leveraged, and emphasizing economies of scale. Although the M&A strategy may be an effective one, it also contains its own cultural pitfalls. Specifically, leaders should look to assimilate long-held cultures into the broader organization—something that can be complicated when the AMC in question also deals with additional complexities, like a faith-based or radically different hospital system. Additionally, different attitudes toward who should be making decisions or the type of leadership that is most effective within the organization can lead to widespread leadership and employee discontent, low morale, and loss of top-tier talent. Without cultural remediation measures, these challenges can undermine the strategic basis for aggressive growth planning.

In these growth-oriented environments, cultural interventions need to emphasize the positive aspects of the change and act to align leaders from both organizations to enable top-down cultural consistency. Additionally, a comprehensive program to assess the desired culture of the combined organization and help leadership move the needle can improve the chances of successfully integrating the legacy organizations so they can function as one and move toward the same vision.

## Clinical transformation

In addition to growth and enterprise-wide transformation, regulatory and technological incentives are changing the way that AMCs care for patients. For example, AMCs are implementing clinical service lines to manage the continuum of care, which is also creating a need to change the culture of how physicians, nurses, allied health professionals, and other clinicians work together.

In these types of changes, endemic lack of trust and poor collaborative behavior can create large barriers to moving toward a model almost entirely based on clinical collaboration among providers and smooth hand-offs between different

parts of the organization. Often, in cases where AMCs aim to transform clinical delivery of care, quality of leadership can be the “make or break” for the success of the initiative. In fact, culture provides the backbone to almost any clinical transformation initiative. Adaptable, integrated cultures, where people feel compelled to evolve with changes, are much more likely to achieve high growth and success. Conversely, some of the pitfalls involved with AMCs involve opaque decision-making between the faculty (departmental) structures versus the clinical operations side of the house as well as competing priorities for different parts of the tripartite mission. Cultures which hold these tendencies are typically less productive and, ultimately, less conducive to growth.



## Clinical transformation: case in point

A prominent northeast academic medical center, known for their basic research through clinical service continuum, discovered that transforming the clinical experience proved more challenging than expected. They came forward with a bold goal to improve the patient interface and transform the way patients accessed care and physicians were held accountable for delivering value, rather than volume. This manifested in a broader cultural transition from a hard-wired departmental structure to an executive operational structure that focused on basic clinical research, service, and teaching.

Knowing their departmental structure could not provide the right results, they appointed a new Chief Medical Officer as the single point of accountability and created a “triad” of operations, physician, and nursing leadership to govern expansion and growth and realign focus from provider priorities into a patient-focused view. Then, they embarked on an extensive alignment campaign that included targeted leadership interventions and a shift of decision-making authority from departments to executives.

In the end, this cultural transformation worked impeccably: the new leaders transitioned successfully into roles and the AMC continued year over year growth.

# The path forward

## Ways to transform culture

Each of the major enterprise changes – generating systemness, cost restructuring, growth, and clinical transformation – has significant implications for culture. Consequently, AMCs are left with the difficult question of how to assess and potentially shift their culture. In working with AMCs and general health care providers, we find that a systematic approach to these organizations transforming their culture consists of five key steps:

### 1. Establish the vision, mission, and values

In order to transform culture to support successful implementation of any of the aforementioned changes, organizations should first engage leadership and assess the bedrock of culture: organizational strategy, mission, vision, and values. In our experience, the optimal way to determine this alignment is through the usage of visioning labs and intensive retreats, through which the organization's executive team can gain firm agreement on where the organization is headed.

Typically, an AMC conducts visioning labs to allow leaders to better understand vision and strategy that culture should align with, clarify desired future state culture and attributes, and identify any aspects of the culture that support or hinder the go-forward strategy.

### 2. Understand current state cultures

To tailor an interventional action plan to the needs of an individual AMC, inclusive of unique cultural attributes and potential barriers, leadership must first fully assess the current culture. A full picture of the current-state can both enable the success of the cultural transformation as well as help with the development of the future-state vision for the direction in which the culture needs to move.

There are certain commonalities across AMCs, such as potential tension between the departmental and clinical operations structures as well as organizational siloes, the manifestation of each of these factors varies across organizations. For example, some AMCs use their

departments to govern all education, research, and clinical operations, while other AMCs separate authority, with departments focusing solely on education and research to the exclusion of clinical operations. In each scenario, cultural transformation plans would greatly differ. AMCs can complete a current-state assessment using a combination of focus groups, leadership interviews, and benchmarking in order to design the full understanding of the current-state culture.

When assessing current-state culture, AMCs should use robust data analytics to crystallize findings to executive leaders and organize these themes across relevant organizational dimensions. The data-driven nature of the assessment and themes helps engender buy-in at an early stage among key leaders.

### 3. Identify cultural strengths to leverage and cultural gaps to address

After assessing the current state culture, the AMC should compare assessment data across the organization, business units, and employee levels to identify current cultural drivers – as well as certain sub-cultures that may exist. Additionally, AMCs must compare current results to the desired future state culture and sub-culture vision in order to determine similarities and differences that inform the cultural transformation plan.

### 4. Build a cultural transformation roadmap

Using the future state culture vision and current state culture assessment, a targeted set of culture interventions can be developed. These interventions transform cultural drivers, such as incentives, structure, and decision making in order to move the needle on cultural transformation. Concentrating on a small number of key processes that drive value in the organization is always a good strategy.

Culture interventions often fall into three categories:

- Leadership: What actions do leaders need to start, stop, and/or modify to drive culture change?
- Infrastructure: How should the organization realign systems (e.g., performance management, incentives, operating model, organization structure, etc.), to reinforce desired culture?
- Processes: What core business processes and associated behaviors will drive results within the organization?

A strong cultural roadmap can design elements across each of these factors to help ensure holistic transformation.

### 5. Execute and make it stick

After building a roadmap and identifying the interventions to implement, it is important to measure and monitor culture change over time. AMCs should ensure change is leadership-led and hold all leaders accountable for the change.

The outcome of a successful cultural transformation should result in a culture which optimizes innovation, limits risk, and possesses focused alignment to the vision, mission, and strategy of the organization. Together, these factors enable the ability of an organization to achieve success in implementing large-scale change.

## Success factors

As AMCs embark on a cultural transformation process, there are certain key success factors that can help enable success at every step along the way. Depending on the flexibility and adaptability of culture, AMCs may need different levels of support and activities to help reinforce the strength of cultural transformation initiatives regardless of which of the aforementioned changes the AMCs are pursuing.

Across our experience with AMCs, success factors fall into four major groups: leadership alignment, leadership effectiveness, physician engagement, and change management.



# Cultural success factors for enterprise change

<b>Leadership alignment</b> C-suite buy-in on the future direction and willingness to put personal capital at stake	<b>Leadership effectiveness</b> High talent individuals in all key clinical and administrative positions in the organization	<b>Physician engagement</b> Physicians aligned upfront in any change and involvement plan carried throughout implementation	<b>Change management</b> Comprehensive program to inform stakeholders and drive substantial behavioral change
<p><b>The challenge:</b></p> <p>Historically, most AMCs have a collaborative, consensus-driven culture, which means that opposition by a single leader can derail major transformations.</p> <p><b>The remediation:</b></p> <ul style="list-style-type: none"> <li>• Clarify decision rights within an organization</li> <li>• Align leaders individually and collectively</li> <li>• Help ensure that executives publicly “own” the change</li> </ul>	<p><b>The challenge:</b></p> <p>Having the “right” leaders in the “right” places for the organization can lead to the success or failure of any initiative. Effective leaders are those who drive organizational performance and results.</p> <p><b>The remediation:</b></p> <ul style="list-style-type: none"> <li>• Invest in leadership development programs</li> <li>• Hold leaders accountable for achieving results</li> <li>• Make succession planning a regular, ongoing discussion</li> </ul>	<p><b>The challenge:</b></p> <p>The increasing importance of physician-led and physician-driven organizations in the context of AMCs means that physicians will have even greater influence in how organizations are run.</p> <p><b>The remediation:</b></p> <ul style="list-style-type: none"> <li>• Provide physicians enhanced support to accommodate any changes</li> <li>• Ascertain any impact to the regular work of physicians</li> <li>• Identify physician champions</li> </ul>	<p><b>The challenge:</b></p> <p>Bringing the organization along the culture transformation journey requires transparency to the transformation process and frequent employee input and engagement.</p> <p><b>The remediation:</b></p> <ul style="list-style-type: none"> <li>• Create a change management plan and dedicated resourcing</li> <li>• Tailor interventions for each major stakeholder group</li> <li>• Build a two-way feedback loop between leaders and clinicians/employees</li> </ul>





# Bottom line

In a changing landscape, AMCs face multiple challenges to which they will need to adapt. Adopting and embracing these changes will require organizations to evaluate and potentially change their cultures, a critical aspect of organizational success. In this broader context, cultural change is as vital to an organization as personal health is to an individual person, yet often just as overlooked. Continuing this metaphor, even though thirty minutes of exercise per day can add years to an individual's lifespan, millions of Americans neglect this simple solution.

Cultural change can be thought of in much the same way. Specific, simple actions surrounding culture can often yield significant results in terms of maximizing value and minimizing negative reaction to forthcoming changes within the context of the AMC. Conversely, like the health of an individual, the effects of lack of action to maintain and enhance organizational culture are only fully understood after severe damage to key goals like growth, quality of patient care, and academic prestige has been done.

To remain competitive and counteract—or even take advantage of—the powerful forces driving change in health care, AMC leaders must leverage the fundamental tenets of their organization's mission, vision, and values to understand deficits within their current culture. From there, they may tailor an intervention to activate a more nimble, agile culture which enables a full realization of strategic value.

Only after making investments in their cultures can AMC leaders see dividends in terms of making large-scale change happen within their institutions. The question is not whether AMCs can afford to shift their culture as they embark upon transformational change, but rather whether they can gamble with their cultural health with so much at stake.

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