

Dual Transformation: How Healthcare Organizations Can Navigate Disruption

By Andy Waldeck

While healthcare has historically been immune to disruption, it now appears more and more imminent as consumer choice, changes in Medicare pricing, lower in-patient revenues and digital business models/disruptors are putting increasing pressure on health systems. Leaders are searching for new answers to increase margins and drive long-term sustainability.

We know from our work in disruption across other industries that trying to do more of what you do today, only better, is insufficient. To respond to disruption, healthcare institutions need to do two very different things at once: reposition today's business while creating the future. We call this "dual transformation" because it involves two separate but parallel transformations: Transformation A, which is about developing a portfolio of initiatives to transform the existing care delivery business, and Transformation B, which is about simultaneously developing entirely new sources of growth.

Dual transformation is one of the hardest challenges in management, in part because successful institutions weren't built to transform - they were

built to optimize. This is the classic "innovator's dilemma," and like other organizations, health systems have learned how to replicate, at incredibly high levels of performance and reliability, a formula that has been the source of their historical success. As a result, most organizations approach to strategy development is to extrapolate their existing business into the future – in largely incremental steps. This approach fails to prioritize the necessary investments or change leadership required to conceive, let alone realize, a future vision that is meaningfully different from the business of today.

Leading healthcare institutions facing disruption need to take a different approach to strategy development. Our "future-back" approach enables healthcare leaders to step back from the constraints of the day-to-day, define their dual transformation and align the organization around the degree of change required to achieve their ambitions.

Define the Future to Own It

Future-back strategy, as the name suggests, inverts the traditional present-forward approach to planning. At its core, it is about defining a future state – one that isn't constrained by today's assumptions or operating models - and then working backwards to create near-term priorities and milestones.

The future-back process is structured around on four key steps:

- **Understand what factors drive historical success.** It is not uncommon for organizations to have a superficial-at-best understanding of what has made them successful. By deeply analyzing performance data to have a clear picture of their “historical success formula,” healthcare leaders can then make choices about what aspects of the formula they deliberately pull forward, versus what aspects might be left behind as well as what needs to be created net new.
- **Align around a common view of the world.** This view is not just a forecast; but instead a rigorous set of assumptions, that clarify the factors a leadership team believes will have the greatest impact on shaping the future environment. Defining this view of the world provides valuable insights around how aligned a leadership team is and what level of uncertainty they may be facing going forward.
- **Define the future.** With an aligned view of the world, leaders can clearly define the future institution they want to create, the expected financial contributions from the current core and new sources of growth and the aspirations they will measure to create accountability to achieve that outcome.
- **Work backward to identify critical initiatives.** By clearly defining a desired future state, leadership teams can then work backward to identify the critical initiatives and capability building efforts required year-by-year. These inputs inform how near-term resource allocation needs to change in order to alter the trajectory of the current business and propel it towards the newly defined future-state.

Gaining Alignment Through Strategic Dialogues

Transformative strategies aren’t created in a vacuum. They are created through dialogue that builds

alignment across the leadership team, diverse stakeholder groups, and, eventually, the entire organization. Future back is delivered through a series of “strategic dialogues,” day-long sessions designed to surface divergent opinions by debating key assumptions, analyzing relevant data and utilizing unique strategic lenses, and then converge on a specific shared perspective. A typical process is built around four dialogues:

- **What degree of change is required?** By comparing the historical success formula to the view of the world, an organization can deliberately choose what it pulls forward, leaves behind and creates net new.
- **What is our Dual Transformation and long-term aspiration?** Given our local market conditions and overall ambitions, how will we evolve our core and what new sources of growth will we create?
- **What will it take to get there?** Working back from the future, what initiatives do we need to launch and what capabilities do we need to develop year by year?
- **What will we measure and how will we operate?** What are the near-term milestones needed to measure progress and how does our operating model need to change to support Dual Transformation?

What Makes Future Back Different

Future back is a highly customized approach that accommodates differing local market conditions, competitive positions, levels of leadership ambition and openness to change. The primary benefits of the future-back approach include:

- **Designed to navigate uncertainty** - clarifies internal and external sources of uncertainty and the critical assumptions that shape material changes in strategic direction.

- **Integrates change leadership best practices** - the approach drives a shared conviction around achieving the ambition, understanding of what needs to be different and near-term metrics to demonstrate transformative progress.
- **Designed from the consumer's and other stakeholders' perspective** – the view of the world is based upon examining the jobs to be done of each key stakeholder to understand untapped growth opportunities and real sources of differentiation.
- **Links long-term ambitions to near-term resource allocation choices** – quantifying the desired contribution from Transformation B and resulting volume of near-term activity needed to achieve those results forces real trade-off decisions in the first 24 months.

Key Takeaways

To realize the benefits of future back:

Think differently.

Shift your mindset from one of planning for the future based on past success and instead consider what the future looks like, working backward in time to create a plan to get you there.

Plan differently.

Design strategy around the jobs to be done of the consumer and other key stakeholders; build the plan through regular dialogues with key leaders across the organization.

Act differently.

Execute the strategy in an iterative fashion by comparing progress against near-term milestones and course correcting to reflect new learnings.



huronconsultinggroup.com

© 2022 Huron Consulting Group Inc. and affiliates. Huron is a global consultancy and not a CPA firm, and does not provide attest services, audits, or other engagements in accordance with standards established by the AICPA or auditing standards promulgated by the Public Company Accounting Oversight Board ("PCAOB"). Huron is not a law firm; it does not offer, and is not authorized to provide, legal advice or counseling in any jurisdiction. 18-HC-Practice 0049