

**Innovation Project Final Report:**  
**Title**  
**Why Isn't Quality the Business Strategy for Health Care?**  
**January to March 2020<sup>1</sup>**

**Project Type:**

<b>90-day Innovation Project:</b> A full wave to scan, test, and document recommendations in a formal deliverable	<b>30-day Innovation Project:</b> A short project to scan, provide research assistance, or design an expert meeting	<b>Content Development:</b> A full wave of research support with the potential for continued support
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**Executive Summary:** *This is the third cycle of research that we have done on leadership since July 2019. The aim of this cycle is to understand why health care leaders have not embraced quality as a business strategy and how we can help them do that. We conducted a set of interviews and shared our findings in this report. We made multiple observations on why leaders have struggled to embrace quality as a business strategy and gave many suggestions on how we can help them do that. One reason that leaders don't select quality is that they have many other strategic advantages to use. A reason that organizations might be attracted to reconsider is that their present strategic advantages will probably all disappear over time.*

**Team:** John Whittington

**Intent & Aim:**

The aim of this research is to understand why health care leaders have not embraced quality as a business strategy and how we can help them do that. We plan to couple that knowledge with work we have done on designing an overall approach to strategically use quality. IHI needs to redefine its strategy in the US because so few health systems use quality as a key to their business strategy.

**Background:**

Individuals who are nearing the end of their career in health care quality are discouraged because of the lack of a strategic focus on quality. Quality, at best, for most organizations is a set of projects. It is not the fundamental driver of the business. Right now, organizations are developing strong measurement teams to be able to capture dollars associated with various quality measures, but lack a deep understanding of the strategic benefits from the relentless pursuit of quality.

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<sup>1</sup> I wanted to acknowledge that there is a book written by Associates in Process Improvement titled Quality as a Business Strategy: An Overview.

We spent the last six months at IHI developing a framework for quality and a complementary approach to whole system quality, which we believe to be helpful for leaders who want to embrace quality as a business strategy. However, it does us no good to have a great model if no one is willing to use it. So, a driver of this work was to understand leaders better and determine ways to attract them to use our framework.

### **Description of the Work:**

#### **Deliverables:**

1. To gain more understanding on barriers executives face in making quality the business strategy of their organization.
2. To analyze the state of affairs to understand what created the present system. We need to consider training, executive language, external regulations, etc.
3. To develop a set of recommendations for executives that would attract them to the new IHI Leadership Framework for Quality.

#### **Interviews:**

1. Ron Wyatt MCIC Vermont
2. Angela Shippy Memorial Hermann
3. George Kerwin formerly from Bellin Health
4. Charleen Tachibana Virginia Mason
5. Abe Jacob Fairview and UM
6. Carolyn Candiello Virginia Mason
7. Pete Knox formerly from Bellin Health
8. Jim Diegel former CEO of several systems
9. Beth Dailey Ullem Quality and Safety First
10. Matt Guy Accelerated Transformation Associates
11. Bill Scharf Adventist Health
12. Keith Boell Geisenger
13. Marty Scott formerly Grady and Hackensack
14. David Williams DMW Austin

### **Results of the 90-Day Scan:**

As we write this, we are in the middle of a pandemic. Good leadership in health care is needed now more than ever. The problem we have been trying to address with this research is, “Why is it that health care leaders have not embraced quality as a business strategy, and how can we help leaders use quality as a business strategy?” In doing this research we have encountered some who have said that quality is very important to health care and others who have said that quality improvement is not that important to CEOs. To clarify, we are not saying that health care is not concerned about quality, but what we are saying is that quality is not a strategic business focus for most health care organizations. When we refer to quality as a business strategy, it is inclusive

of the product and service health care provides, but it is also a way of doing a leader's total work. A number of the people interviewed mentioned that they connect their clinical quality issues into financial impact. That is certainly important for this work but we think it is too narrow a perspective. What we are talking about is a comprehensive way of working that starts out by applying quality to all of the business. W. Edwards Deming believed that a chain reaction would occur when you focus on quality in which cost would be reduced, which leads to improved productivity, better quality at lower cost leads to increase in market share, which leads to staying in business, and finally, providing more jobs.<sup>2</sup> You can't get this type of chain reaction by just using quality tools on a project. It has to be the way business does its work. Therefore, the CEO, the CFO, and all should be involved with this push for quality. In that type of organization, the CMO doesn't have to make the case for financial impact, it would be made for him/her by partners in the finance department who were supporting the work.

Strategy should be focused on competitive advantage. So why is quality not a business strategy for most health care organizations? Perhaps many health systems do not see any competitive advantage to using this approach. A thought regarding this from one of the interviews: "Health care is competitive in the US. It is in the business of providing products and services to customers. Its focus is generally on revenue growth. There are a variety of ways that organizations compete just to name a few:

1. Reputation
2. Size
3. Affiliation with academic centers
4. Mergers and acquisitions

And if an organization has strong competitive advantages, they can coast on this for a long time."

For two organizations interviewed, quality is not just a priority, it is the business strategy that provides competitive advantage for them. In interviewing representatives from these organizations, it was interesting that both started out with the same sentence along these lines, "Since we didn't have other strategic advantages, we thought quality was a way to compete and that quality improvement is a strategic lever." For both organizations this has been a long journey and that itself may be a reason why others haven't followed this strategy. To pursue quality as a business strategy, you must think beyond short-term gains and transactions and look a lot further out to accomplish this transformation. Practically speaking, this will require an executive team that can stay together for a number of years and that is not always the case.

Other observations why quality is not a business strategy are that executives lack training and experience in using quality as strategy, there is a focus on problems not system issues, and executives play to their strengths and quality is not part of that skill. For example, we see

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<sup>2</sup> Out of the Crisis MIT press, 1986, page 3.

significant emphasis on transactional skills, such as acquisitions and mergers, which for some organizations, may be a competitive advantage. The focus on quality as strategy takes longer to implement and may inhibit its use.

So far in this discussion we have put all the weight on leaders for why they haven't embraced quality as a business strategy, but I think we need to take a look in the mirror and say, "What have we done wrong in our teaching and interacting with health systems that has limited their ability to see quality as strategic?" As we answer that question we are transitioning to the second main idea of this paper which is how can we help leaders see quality as their business strategy. Because of a lack of a comprehensive understanding, some leaders see quality as certificates on the wall and trophies in the case. We haven't helped them understand the transformative nature of this work. Pete Knox offers some insight into this problem. "I believe this is not a 'battle' of knowledge but instead a 'battle' for the heart. Unless we capture the heart, our efforts will fall short of our desired outcomes. We need, in my opinion, to meet people where they are, understand their pain, and offer a proven solution to their problem. This is mostly about understanding and caring about the pain and walking on the journey with them to reduce or eliminate the pain. They have to believe two things: 1) We understand and care, and 2) We offer a solution to your pain."

Perhaps we haven't met the executive team where they are; we haven't understood their real pain point(s); we haven't offered meaningful solutions to their problems and perhaps clear enough guidance that makes leaders confident they can implement those solutions. In essence, we haven't made quality as a business strategy a clear alternative to their present approach. Leaders may not fully understand our language or at least miss the point. Even in the quality improvement world, we confuse why quality improvement projects fail with what we mean by quality as a business strategy. We often talk about issues that should be considered to understand why quality improvement fails:

- Under-emphasis on the customer (primary customer)
- Over-reliance on quality assurance
- The confusion of quality management with quality improvement
- Over-emphasis on quality measurement driven by payment systems
- Lack of a system-focus on quality control
- A focus on tools rather than a system-wide approach

These issues are important but, even if an organization were to overcome these issues, it does not assure that quality is their business strategy. It only assures that their improvement projects will be more successful. Many think of quality, as a target or a goal or perhaps one of many strategic initiatives, but what we are saying is that quality is the business strategy. You improve the products and services for your customers, all the time improving your own processes to steadily

and continuously transform the way you do work to consistently and reliably serve your customers over time – the chain reaction.

We need to look for organizations that lack other strategic advantages where quality could make a difference as a competitive advantage. We mentioned two systems earlier that took this route specifically because of their size. They might be smaller organizations, or organizations that have suffered a catastrophic quality issue and received a notice of Immediate Jeopardy from CMS.

We think the issue of trust is important between organizations like IHI and providers. Leaders have to believe that we understand and can help their problems. Often health care leaders focus on issues one at a time. But, with a quality perspective, you can identify systems issues that can solve multiple problems at one time. One person we interviewed said, “Perhaps many are lost in the complexity of the moment and can’t create a clear path forward for their system. They are struggling with strategic execution.”

This work started in part because of a concern about just focusing on targets like Leap Frog, quality stars, or risk adjusted mortality. There is nothing inherently wrong in using targets, but you will miss the true power of a cultural transformation around quality if you narrowly focus on targets. What we would like to see is such targets included as strategic goals to be achieved through quality improvement.

Getting the board involved with quality is another important element if you want to sustain the work. Virginia Mason’s executive team has been on a transformative quality journey for almost 20 years. All board members spend time in Japan getting an education on quality, and succession planning within the organization is built around an individual’s understanding and use of quality. Leadership creates a culture of quality and involves all, including the board. We have heard stories regarding businesses that had a great leader who focused on quality, but as soon as they left, the organization drifted from its strategic focus on quality.

Additionally, a few health care organizations have used the Malcolm Baldrige criteria to work on their quality journeys. Unlike targets that we talked about earlier, this is a comprehensive set of criteria to focus on leadership, strategy, customers, measurement, workforce, operations, and results. Focusing on these seven items with quality leads to a transformed organization.

Many leaders said to me that executives were focused on reputation. Mostly what they were saying was that leaders were mindful of their past reputation that gave them a competitive advantage. But without a focus on quality, particularly as a business strategy, it seems that it is only a matter of time until their good reputation will be tarnished.

All of the above are perhaps good ideas but a leader might still be asking for more direction and help. The following framework that was developed by IHI provides a more detailed set of next steps



For more explanation on this framework please read IHI innovation series report from Wave 53 titled: A Review of Leadership and Teaching and Support.

### Conclusions and Recommendations:

We spent last year preparing a framework for leaders who were interested in using quality as their business strategy. This paper was a complement to that work. We attempt to answer two questions, 1) “Why is it that health care leaders have not embraced quality as a business strategy?” and 2) “How can we help leaders use quality as a business strategy?” We suggested a variety of reasons that quality as business strategy has not taken hold and made a few suggestions to advance that work.