

# Leading with Quality as Your Business Strategy

## EXECUTIVE SUMMARY

Why haven't health care leaders embraced quality as a business strategy, and how we can help them do that? Through a series of innovation cycles and interviews we made multiple observations as to why leaders have struggled to embrace quality as a business strategy and gave many suggestions for 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. A leadership framework is proposed to support leaders to lead with quality as their business strategy.

## WHY ISN'T QUALITY THE BUSINESS STRATEGY FOR HEALTH CARE?

Though the focus on quality in health care has come a long way in the last 30 years, many health care quality founders and leaders in this movement are discouraged because of the lack of a strategic focus on quality that still exists today. 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. As we write this, we are in the middle of a pandemic. Good leadership in health care is needed now more than ever. So, 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?

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. Many 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>1</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.

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<sup>1</sup> Out of the Crisis MIT press, 1986, page 3.

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. One person we interviewed shared, “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 several 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 set.** For example, we see 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 we also 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 our next main idea, which is, “how can we help leaders see quality as their business strategy?”

## **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 must believe that we understand and can help their problems.** Often health care leaders focus on issues one at a time and 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 inputs to strategic goals to be achieved through quality improvement. 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.”

**Getting the board involved with quality and succession planning are other important elements 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.

## **ENGAGING AND SUPPORTING HEALTH CARE LEADERS WITH USING QUALITY AS THEIR BUSINESS STRATEGY**

To support leaders to use quality as their business strategy, and the transformative change required, we developed the following framework aiming for a simple foundation of high-leverage actions that can be applied at all levels of leadership— for anyone planning for, improving, and/or managing and sustaining quality – and in different context. In this framework we attempted to blend the technical aspects of improving quality – i.e., the practical how-tos based on a theory – *and* the adaptive side of change and the relational aspects of leadership highlighting key behaviors and actions that support these tactics.

This framework builds on the original “Framework for Leadership for Improvement” **which** had the core concepts of Will, Ideas, and Execution that has resonated strongly with leaders over time. We thought it was important in this next iteration to focus on the overall goal of quality inclusive of planning and designing for quality and improvement, testing and implementing changes that result in improvement, and managing and maintaining quality and learning over

time. Though these concepts were included in the original, we wanted to make them more explicit in this next iteration.

Secondly, as a leadership framework, we adapted the “generate ideas” box to “encourage ideas and testing” to shift the leader’s role to supporting an environment where new ideas and experimentation are welcome. Similarly, we adapted the “execute change” box to “execute and scale-up improvement” to better represent and emphasize the leader’s role in implementation and sustainability of changes that result in improvement as in the original framework.



## 1. Set and Champion Direction

- **Set and act on the Mission, Vision, Values, and Strategy around the Triple Aim for those you serve.** The organization’s mission, vision, values, and strategy should align with what matters those you serve. One definition of quality is, “the degree to which the work you do - and the results of that work - match the needs you intend to meet.” You must understand the need and how you will address it. We suggest using the IHI Triple Aim as a starting point and setting specific aims at the appropriate level (e.g., for organizational/system wide improvement, for focused clinical delivery improvement). It is vital that all, especially leaders, understand and behave in accordance with the mission,

vision, values, and strategy set by the organization. Behaviors that are not aligned with these elements should be addressed immediately and equitably. Leaders should establish and use a structured and reliable planning process to set a small number of specific and critical short- and mid-term goals and establish a plan for improvement to achieve those goals (i.e., the strategy).

- **Create constancy of purpose for continuous improvement of products and services toward achieving your mission.** Constancy of purpose requires dedication to continuous improvement in order to meet the needs of today and the future so that organizations stay in business to continue to serve patients and families, customers, employees, and communities. Establishing constancy of purpose means “taking the long view” and investing in long-term planning, innovation, research, education, and continuous improvement of product and service design.
- **Make the status quo uncomfortable (push); make the future attractive (pull).** Leaders should be wary of the status quo. To encourage change, people need to be unhappy with the current state. Demonstrate why the status quo is no longer desirable through data and stories. At the same time, make the future attractive by relentless communication about why change is necessary, your dedication to it, and how it aligns with and moves you closer achieving your mission, vision, values, and strategy.

## **2. Establish and Support the Foundation for Continuous Improvement**

- **Learn the science of improvement and build improvement capability and capacity throughout the organization.** The culture of an organization is a direct reflection of the leaders’ behaviors including where they spend their time and attention. In order to lead for quality, leaders should know and use the science of improvement themselves, establish a method for continuous learning and improvement, and provide clear expectations for the improvement skills and capabilities that staff at all levels need to have to succeed as an organization. To build improvement capability and capacity, staff require protected time to create space to develop these skills. Training opportunities should be provided paired with direct application of the skills, mentoring, and coaching.
- **Align leadership to support the individuals and teams and the systems and processes needed to deliver on quality and the improvement strategy and goals.** Aligning the people and the processes for quality and continuous improvement requires systems thinking. Leaders ensure they are aligned within and across their areas of responsibility to the quality and improvement goals. Resources are allocated and aligned with improvement aims including time, appropriate budgeting and funding, training and capability building, data and information systems, data analysis, and human resources. Improvement work should be closely linked with finances.

Authentic relationships based on trust and a deep respect for all people are essential to achieve this level of alignment. Identify power structures and equity implications that create barriers to quality. Facilitate conversations for understanding of power differentials and inequities in the system to remove these barriers. Leaders have a responsibility to create a work environment that takes specific actions to increase equity and fairness so people can work towards their professional potential, and there is a space for peers to resolve conflict safely. There is no quality without equity.

- **Implement a learning system and daily quality management.** Create an oversight system to track progress and results that includes periodic review of measures and informative cases, along with testable theories that build sequential learning into the work. Describe clear expectations around what to do when results are not met. This system of accountability should be focused on learning and adapting over time. (See IHI's Sustaining Improvement White Paper.) A key here is for leaders to understand variation in data and how to act (or not) accordingly. Build continuous improvement into daily management.

### 3. Build and Nurture Will

- **Understand and utilize each individual's intrinsic motivation.** People have different reasons or motivations for doing the work they do and generally come to work to do a good job. According to Deming, the most important act a leader can take is to understand what is important to each individual. By understanding "what matters" to each person in our organizations, our teams, and our community, we can then align their motivations with those of the organization. IHI's Framework for Improving Joy in Work and Psychology of Change White Papers provide additional guidance.
- **Measure and transparently display current system performance.** Measuring current system performance on things that matter to those you serve, staff, and your community, transparently displaying it, and using it for learning aids making the status quo uncomfortable and in building will for change. Understanding variation and using data for learning and improvement to inform actions (which could be no action), highlighting successes, identifying challenges that can be addressed, focusing on the processes and not the people, and celebrating the learning that results builds a culture of learning and trust.
- **Pay attention, be curious and humble.** As leaders look where you are spending your time. Are you out observing, understanding deeply, and supporting the work? And when you are out observing and supporting, are you leading with curiosity and practicing humility? As leaders, it is vital to be curious – listen deeply and more than you talk, ask questions (what and how, not who and why), be a student and always a learner. Also, be humble – give other people credit, admit when you are wrong, go last, ask for advice, praise others. Be mindful and self-aware of how you "show up," and at the same time

have a deep awareness of how things work and how they should work (i.e., know the current state and have perspective of ideal) so you can support the team.

#### 4. Encourage Ideas and Testing

- **Support a system for identifying ideas.** Every system is perfectly designed to get the results it gets. To get a different result, we must change the system. In order to change the system, we need new ideas. Leaders must support a system for identifying ideas that are an alternative to the status quo and capable of moving the system to a new level. Establish scanning and harvesting capabilities to find ideas internally and externally from, for example, the literature, evidence, and other industries and disciplines. Invest in research and development. Benchmark performance to peer organizations and aspirational organizations. Have mechanisms to listen deeply to patients, families, and other customers.
- **Foster an environment safe for creativity, testing, experimentation, and learning.** In improvement leaders need to be relentlessly focused on learning and not searching for fault or blame. Seek to understand and support teams in failure as well as success. Understand and coach testing and learning using iterative trial-and-learning methods such as Plan-Do-Study-Act cycles.
- **Co-design and co-produce change with those you serve.** As stated in the IHI Psychology of Change Framework, “those most affected by change have the greatest interest in designing it in ways that are meaningful and workable for them” and more likely to be sustained over time. Design ways for genuine involvement of those closest to the work including patients, families, and other customers.

#### 5. Execute and Scale-up Improvement

- **Support implementation.** When teams discover changes that result in improvement, leaders must support the implementation of those changes. This often involves the resources and support of other organizational functions such as information technology to update the electronic health record; human resources to test and support effective training on the new process or change, and to consider possible implications for hiring procedures and job descriptions; and resources to support equipment or supply purchases and maintenance. Leaders must require the use of the new process or change and establish ongoing ownership and monitoring processes to sustain the improvement.
- **Manage scale-up.** If the changes that resulted in improvement need to be scale-up to other parts of the organization, leaders must establish the aim for scale-up, dedicate resources to support it, create urgency and communicate about it, and oversee and manage this process. Leaders manage the change process and have the courage to stay the course even in the face of distractions.



- **Establish and maintain an escalation process to identify and remove barriers.**  
Challenges will inevitably arise during the improvement and change process. Often those who are working on the improvement effort will be able to address those challenges. But for those challenges that they cannot address themselves, there must be a process to escalate barriers to the proper level of leadership to be addressed and removed.

Ultimately, this leadership framework can serve as a foundational document for leaders at every level of an organization to inform the strategy for advancing quality and improvement within their organization. Ideas and practices from IHI's more focused frameworks (e.g., Whole System Quality, Joy in Work, Psychology of Change, etc.) informed the development of the leadership framework and provide a natural follow-up for leaders when applying the work in their given context. When leaders want to engage with IHI on improving health and health care, the leadership framework provides a starting place to understand the necessary conditions for advancing their work. And, depending on their specific goals, IHI's operational frameworks like Whole System Quality (see appendix) can be used.

## **APPENDIX: WHOLE SYSTEM QUALITY**

In parallel, IHI is also developing a complementary “whole system quality” approach described here. This approach details the **management practices** and **leadership principles** that are necessary to pursue quality – with ambition, alignment, and agility – through a commitment to learning.

**The Practices** entail the roles, responsibilities, and work across the organization, from the service users to the Board of Directors:

Quality Planning	Quality Control	Quality Improvement	
Offer input to inform organizational strategy as primary customer group	Offer feedback on quality experience to inform understanding of performance	Engage as co-producer in relevant QI activities	<b>Patients &amp; Families</b>
P O I N T O F C A R E			
Inform plans and requirements to execute on the strategy locally	Identify and solve problems as they arise (gaps with standard); escalate as necessary	Lead and engage in local QI activities and identify potential QI projects	<b>Clinicians</b>
Translate strategy into a plan for unit setting and outline requirements for execution	Monitor performance and direct solutions; Escalate problems as necessary	Lead QI projects and capture ideas for potential QI work	<b>Unit-Level Leaders</b>
Facilitate strategic planning process; support research & analysis activities	Support development of QC standard work & infrastructure	Support local QI activities & inform project prioritization efforts	<b>Quality Office</b>
Work with execs and unit leaders to articulate how to execute on strategy	Identify cross-cutting problems & trends; Close feedback loops	Sponsor QI projects, lead cross-cutting QI efforts	<b>Departmental Leaders</b>
Identify customers, prioritize needs, and develop strategy	Mobilize resources to address emergent and cross-cutting problems	Sponsor and commission prioritized QI projects	<b>Executive Leaders</b>
Ensure organizational strategy is quality-centric	Review quality performance on a regular basis	Review performance of major QI projects on regular basis	<b>Board of Directors</b>

**The Principles** are social norms and patterns of behavior in carrying out these activities that promotes learning across the organization:

Principle	Definition	Example
<b>1. Build a shared sense of purpose</b>	the co-production of a cohesive and unified vision for a future state of the organization to cultivate a shared sense of purpose	Along quality planning process, capture what matters to staff and identify themes to develop strategic vision
<b>2. Practice systems thinking</b>	the ability to see the big picture, and to distinguish patterns instead of conceptualizing change as isolated events	Build models (e.g., linkage of processes, enterprise value stream maps, performance measurement system) to understand current system
<b>3. Engage in collective learning and dialogue</b>	the process of collective inquiry, dialogue, and co-production to advance the organization towards the shared vision	In every opportunity, practice dialogue (suspend assumptions, acknowledge internal dynamics, discover new ways of seeing and understanding the system, and generate ideas together)

<b>4. Practice personal inquiry and reflection</b>	the discipline of self-reflection, unearthing deeply held belief structures, such as inequities, and understanding how they dramatically influence behaviors	Leaders going to the front line and ask why five times when problems arise to understand the assumptions that underpin certain patterns of activity
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Engaging in these principles over time will ultimately promote:

1. **Psychological safety** – anyone in the organization, including patients and families, can comfortably voice concerns, challenges, and ideas for change
2. **Trust and blame-free culture** – an environment of non-negotiable respect, ensuring that people feel their opinions are valued, and any negative or abusive behavior is swiftly addressed
3. **Constancy of purpose** – applying organizational values to every decision made, and always in service of an agreed-upon understanding of quality (that is in turn rooted in the broad notion of continually, consistently, and sustainably meet the evolving needs of patients, populations, and communities)
4. **Continuous learning** – fully engaging in the work of self-reflection that leads to transparency; understanding and applying the science of improvement, reliability science, and continuous learning; and inspiring that work throughout the organization
5. **Equity** – commitment to fostering critical dialogue on identity and experience, taking corrective action to address institutional and structural inequities, and creating conditions in which all people, staff member and patients alike, have every opportunity to attain their highest potential
6. **Discipline of innovation** – “the effort to create purposeful, focused change in an organization’s social or economic potential” (Drucker, 2002).<sup>2</sup> This is achieved through a systematic examination, within and beyond the organization, to identify the areas of change that offer opportunities for creating new sources of value. Areas of change include adopting new ideas for application, as well as abandoning practices that no longer serve the organizational vision.<sup>3</sup>

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<sup>2</sup> Drucker, P. F. (2002). The discipline of innovation. *Harvard business review*, 80, 95-104.

<sup>3</sup> Senge, P. M. (2004). Learn to innovate. *Executive Excellence*, 21(6), 3-4.