

Healthcare Strategy alert!

INNOVATION IN HEALTHCARE

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Innovation: A Core Competency

Innovation is fast becoming the critical business skill of the 21st century, say management experts. But are healthcare organizations prepared?

Two years ago, *Healthcare Strategy Alert* focused on Innovation in healthcare. Since then, some healthcare organizations have begun applying the tools of innovation to business overall, including budgeting for research and development. There is even a growth in new positions, with titles such as Chief Innovation Officer, Director of Creative Exploration, Director of Clinical Innovation and Best Practices, and Director of Innovation Advancement.

If your organization is not yet cultivating innovation, consider doing so today. Encourage your team to think creatively about new initiatives and challenges. Look outside the organization to other healthcare organizations—as well as other industries—for ideas. Rethink old ways of doing things. And remember to keep your eye on the customer. Observe patients and visitors and put yourself in their shoes...how would you rate the healthcare experience? What could have made it better?

So get your creative juices flowing, transform your thinking, and explore the possibilities of what your organization—and healthcare in general—could be.

Judy Neiman, President
Forum for Healthcare Strategists



Create, Strategize, Transform

For too long, healthcare strategists have tended to assume that what worked in the past will continue to work in the future. But that assumption no longer holds true.

Instead, innovative new strategies and solutions are needed to better serve the more demanding—and aging—American consumer while at the same time dealing with ever-present concerns about clinical quality, profitability, market share, staffing, and physician relationships.

But where to start? The first step is understanding what innovation really means. “Providers shy away from innovation—equating it with technology or invention—and

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therefore as something requiring special knowledge, huge capital investments, and significant risk,” says Karen Corrigan, Senior Partner, The

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Strategy Group, Norfolk, VA. “But at its simplest level, innovation is a new way of doing things that creates value for your customers. Many innovations are not technology-based, and some are as simple as changes in form or process. Innovation can be applied to business models, product design, strategy, administrative processes, relationships with constituents, or any number of initiatives designed to fulfill a mission, improve the patient experience, perform better as an organization, or prepare for the future.”

Innovation also is much more than a creative free-for-all. “Creativity sparks innovation, but ideas that come out of creative thinking and brainstorming need to be translated into strategic initiatives,” explains Elaine Dundon, Founder and Managing Director, Center for Designing Innovation, The Innovation

dedicate resources for research and development, and establish screening criteria to evaluate the strategic, operational, and financial feasibility of new ideas.”

Unlearn the Old Ways

But that’s certainly not the norm in healthcare. “Most hospitals and healthcare systems are large bureaucracies where different ways of thinking aren’t encouraged,” says Howard Gershon, Principal, New Heights Group, Santa Fe, NM. “Healthcare executives are caught up in a regulatory environment that emphasizes standardization and are often set in their ways. And when new ideas are suggested, the first question frequently is ‘Who’s doing that, and can we see it?’”

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electronic records, and Singapore has experience with Health Savings Accounts that the U. S. healthcare industry can learn from.” Look outside of healthcare as well. “Every industry claims to be unique, but industries also share commonalities,” Dundon notes. “Like healthcare, other industries are contending with staff shortages, more demanding customers, and advances in technology.” Their experiences in dealing with these issues can offer ideas that you might not have considered (see box, p. 8).

2 Focus on the Customer.

Innovation for the sake of innovation is meaningless; the big picture focus should always be on making things better for the customer. “Understanding what the markets, communities, and customers you serve need, want, and value, and why, is essential to strategic innovation,” says Corrigan. Learn as much as you can about patients and their families by talking to them and conducting market surveys and focus groups. More importantly, watch them as they interact with the system. “Try to uncover unmet needs beyond the physical care and attention; that’s the kind of information that leads to innovative thinking and solutions,” Corrigan adds.

3 Take Time to Think.

Healthcare executives are under so much pressure that they tend to quickly define problems or strategic challenges and look for easy solutions. But that’s not the best approach to solving problems for the long term. “Everyone, in every industry, is stretched thin, but it’s important to take the time to look at challenges from different angles and explore multiple solutions,” says Dundon. “Devoting time now to finding innovative ways to modularize and standardize routine

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Group, Santa Fe, NM, and author of the best-selling book, *The Seeds of Innovation*. “That requires strategic thinking, which means evaluating ideas based on how well they help achieve business goals and how much value they add to your product or service.”

Corrigan agrees, adding, “The best organizations approach innovation as a business discipline. They have rigorous processes in place for discovering and understanding customer needs and generating and testing ideas to address them. They

key to spurring strategic innovation. Following are some tips to get started:

1 Expand Your Radar Screen.

Look beyond your local market for examples of innovation. How are healthcare providers in other parts of the country, or even in other countries, dealing with challenges similar to those you’re facing? “Canada’s experience with SARS holds lessons for hospitals preparing to deal with capacity issues,” suggests Dundon. “Sweden can offer valuable lessons on developing

activities can ultimately free up time and resources that can then be allocated to seeing the bigger picture and looking to the future.” One way to generate multiple problem definitions and solutions is to gather input from multiple departments. “Sometimes it’s hard for someone who is too close to a problem to see other ways of dealing with it,” explains Gershon. “People who know nothing about the problem, on the other hand, have no preconceived

successful new innovations that can be shared with other healthcare facilities. Collaborating with other hospitals or health systems is another sensible approach to innovation. “Having ten hospitals come together in a formal arrangement to share intellectual property, where each one works on one new idea that all ten can use and benefit from, is a much faster and far more cost-effective way to innovate,” explains Graham. “After a year, all ten hospitals might

new ideas, including those that don’t succeed. “People need to know that they will not be penalized or put at risk for trying different approaches, even if they fail,” says Gershon.

Without those kinds of incentives, tools, and systems, any talk about innovation is just talk. “Many organizations state in their strategic plans or vision statements that they will be innovative or creative, but without the organizational features and systems to encourage, support, and reward innovation, it simply won’t happen,” asserts Gershon. “Move beyond the talk and make a real commitment to innovation. Integrate innovative thinking into operational thinking, earmark funds—even a small percentage of revenues will do—for generating and testing new ideas, and acknowledge that innovation is not a program to be tried out, but a core competency that must be continually fed and developed.”

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notions, so they may be quick to identify new solutions. For instance, your home health staff may have ideas about dealing with a revenue cycle problem that finance may not have thought of.” By forming multidisciplinary teams to work on problems, an array of innovative solutions to pursue might emerge.

4 Two (or More) Heads are Better Than One.

Consider partnering with suppliers, vendors, or local corporations to speed the process and ease the costs of inventing, testing, and adopting new ideas. “One approach is to make the hospital available as a learning lab for groups that have an interest in developing tools, processes, or systems that would improve healthcare operations,” says Ken Graham, Chief Executive Officer, Overlake Hospital Medical Center, Bellevue, WA. Several companies have partnered with Overlake to test new ideas for bar coding, patient safety, and patient and physician connectivity before rolling them out widely. The benefits of such partnerships include access to valuable new knowledge and technology; financial returns in the form of fees, stock ownership, or grants; and an association with

have ten well-thought-out strategies to implement, whereas a hospital working alone would probably have just one.”

5 Make It Systematic.

Focus on systematically encouraging every arm of the organization to work toward an innovative mindset. “Develop systems or tools to share ideas and support innovative thinking,” explains Dundon. “Train all staff to think creatively, and encourage them to share problems and offer solutions. Post a flip chart in the cafeteria, designate an ‘innovation wall’ or Internet site where problems or challenges can be posted and solutions suggested, or invest in idea sharing software to create a database of challenges and solutions.” Encourage staff to look for ideas outside the organization, and set aside time during staff meetings to discuss them. “Managers often don’t ask people for ideas, but the very act of asking creates an atmosphere that says ‘we are open to and accepting of innovation.’ That opens doors for people who might otherwise be reluctant to share ideas,” Dundon says. Finally, build in incentives to encourage risk-taking and creative thinking. Reward and recognize