

Consult

BY STEVE CALLAHAN

The Three Secrets to Leading through Crisis

There is no doubt that these are trying times for insurance-industry leaders in general, and the healthcare industry in particular. The oft-quoted adage, “With crisis comes opportunity,” has become a cliché in the current environment.

In reality, there is no time when strong leadership is more crucial than periods of crisis. When things are going reasonably well, sins of omission and commission are often overlooked, as insurers and physicians alike navigate the normal bumps in the road relatively successfully. There tends to be less scrutiny of practices, and a lower probability of litigation in prosperous times, reducing the degree of volatility in litigation and settlements. Unfortunately, under the stress of economic crisis comes the magnifying glass of an increase in patient

dissatisfaction, driven by rising debt, an inability to pay bills, the temptation to defraud, and the increasing publicity on cosmetic surgery missteps, all leading to fluctuations in the numbers of suits and claims.

Today, every decision’s impact is amplified by the potential ramifications of unexpected outcomes. One mistake, even of cautionary omission, can lead to dire financial consequences. As a result, there is a strong tendency to shore up, or slow up, decision-making with thorough (over)analysis in an attempt to avoid a misstep. Greater emphasis on the financial demands of our business has executives and practice leaders spending more time justifying expenditures, looking for ways to cut corners without compromising quality. To some, the management of the various expense items begins to feel like juggling knives, where one

small mistake can (metaphorically) cut to the bone.

Yet, if you take a step back, you see that, in reality, it is the counterintuitive that is needed at this point. Leading in times of crisis actually requires a proclivity to decisiveness and action—not overly conservative analysis—and this in turn requires a compressed reaction time. From new healthcare mandates, privacy laws, changes in reporting requirements, new categories of treatments and drugs, to our increasingly litigious society, it is evident that the pace of change is accelerating. For the cautiously plodding company, missed opportunity actually has a greater potentially negative impact, amid the stress of turbulence, than a step in the wrong direction. The negligence of a failure to act can have severe ramifications, in direct conflict with the pricing and claims practices required to comply with mandates that increase exposure while adding restrictions to an already highly regulated industry.

Leaders who drive change

Dr. John Bruhn’s 2004 article in *The Health Care Manager*, “Leaders Who Create Change and Those Who Manage It: How Leaders Limit Success,” highlights the characteristics of leadership necessary to respond with the changes demanded by challenging times. From his perspective, the differentiation comes in the form of a philosophical contradiction between leading and managing change. According to Dr. Bruhn:

Leading change is not simply a matter of a leader’s style or personality; it is a leader’s philosophy of how to generate and mobilize the total resources of an organization to enable it to be its best. Managing change, on the other hand, is focused on maintaining the stability in an organization and containing the effects of unwanted and unexpected change.

There can be no doubt that we face change of immeasurable diversity and impact in our industry. While some may opt to try and maintain stability, there is in fact a need for action-oriented change leaders, who are looking to survive and thrive. There is no stability to maintain, at least not in near term.

Three strategies

There is elegance in simplicity. With that in mind, here are the three strategies that enable change leadership (as distinct from change management)



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necessary to successfully navigate through the current turbulence.

1. A focused direction. The direction pursued must be focused and clear, addressing the key strategic challenges. Further, to be truly effective, this new direction should be collaboratively designed and fully communicated to all employees. Organizational focus is akin to the much-overused concept of “mission,” but defined in terms of a more tangible and quantifiable ability to connect potential with reality. It filters out all the noise and immediacy of the firefighting that goes on every day, drilling down to the core efforts necessary to move the business toward growth and profitability. A clearly defined sense of direction motivates cohesive action, mitigates the fears that may be inhibiting action, and creates a leveraging effect, as resources work together instead of focusing on individual self-preservation. Consider a focus on ensuring optimal healthcare in the medical management arena, with a clear definition that avoids an all-or-none scorched-earth approach. Done collaboratively, utilization

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review expands to include legal review, contract revisions, network negotiations, closed claim analysis, and cost-effective risk-sharing. Without focus, the diversity of actions of people who are doing what they believe is best is suboptimal—and often counterproductive. For any given point in time, a universally shared sense of purpose and intent is crucial. Focus drives success, according to famed management guru Peter Drucker, who said, “The difference between a successful person and a really successful person is that the *really* successful person says ‘no’ to just about everything.”

2. Transparency is critical, especially in times of uncertainty and change. The response to a period of turmoil should not be closed-door strategy sessions, wherein senior managers gather to determine the fate of the company. Fears imagined are typically much worse than reality. Change leaders coordinate the constant flow of information, performance measures, and expectations, in order to sustain cultural integrity, capacity for coping, and the cohesive sense of purpose. Yet the tendency is more often to assume that everyone on the staff knows what they need to do, letting them do what they think is best, while management ponders the big issues, strategizing on how to keep the company afloat. More often than not, this response tends to be more like a survivalist reaction, as employees fulfill their instinctive impulse to duck into a foxhole until the barrage of change and uncertainty has ended. Change leaders must


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avoid the artificial distance that is created by this approach, erring in favor of maintaining a consistent message. The benefit of transparency comes in the utility of shared information. An excellent industry example of transparency comes in the form of PIAA’s Data Sharing Project, a repository of relevant industry facts compiled over 25 years, covering the management of risk, claims, underwriting, marketing, and lobbying. Companies need to mirror that transparency within their own walls, to reap the full benefit of their intellectual capital and experience. As Kevin Roberts of Saatchi & Saatchi once said, “We are in the age of the idea. The organization that can develop a culture of creativity and idea generation will be the winner.”

3. Nimbleness translates leading into measurable, timely action. Even a good plan, understood by all, with clear measures of success and well communicated, serves no value if it takes so long to implement that the situation has changed by the time it takes effect. Despite the logic of this statement, the stress of economic difficulties gives rise to distractions that result in

nearly uncontrollably long gaps between decisions and their implementation. Yet the rate of change accelerates every day, via the rapid rate of regulatory incentives and reforms, CMS changes, new treatments and pharmaceutical discoveries, or the complexity of ethical challenges, from stem cell research to euthanasia. The train is not waiting, and has already left the station, compelling a compressed decision-implementation-adaptation cycle. George Nadaff, founder of Boston Market, said it best: “Stay cool, run your business, and stay focused on your daily tasks. Last but not least, damn the torpedoes and full steam ahead.”

A clear focus, transparent communication, and nimble actions lie at the core of effective leadership in today’s world of continuous change. We face an unforgiving and harsh economy, one that will reward those able to adapt nimbly and stay focused, and that will penalize those trapped by conservatism and bureaucracy. In the powerful yet succinct words of our 26th President, Theodore Roosevelt, “In any moment of decision the best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing.”

Avoid the trap of analysis-paralysis. Incorporate focus, transparency, and nimbleness into the decision-making process today, and you will be poised to lead a company that not only survives, but thrives, tomorrow. 

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