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Management Lessons from One Hospital's Dramatic Turnaround

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Putting people at the core is the key to major improvements in financial, performance, regulatory, and quality indicators.

by Eric J. McNulty, Nathaniel Foote, and Douglas Wilson

Assuming the leadership of a 165-year-old institution that appears to be in long-term decline can be a daunting task — especially if it faces deep-rooted financial challenges, eroding market position, drops in quality, a fading reputation, an aging physical infrastructure, and an influential cadre of veterans satisfied with “good enough.”

This was the challenge Bob Grossman faced when he became the dean and CEO of NYU Langone Medical Center in July 2007. In the 10 years since, however, rather than preside over further decline,

Grossman has led the institution, which comprises both NYU School of Medicine and NYU Hospitals, to an impressive comeback.

The dramatic turnaround engineered by Grossman offers lessons for any manager seeking to overcome chronic underperformance. Confronting an entrenched, entitled workforce — the tenured faculty in an academic medical center — he and his team succeeded in raising performance standards throughout the enterprise, while simultaneously increasing staff commitment levels. The result has been significant improvements across key financial, performance, regulatory, and quality indicators:

- From an operating loss in 2007

of US\$120 million, NYU Langone now earns an operating margin of 10 percent and is investing heavily in infrastructure, equipment, and people. A new building that includes a children's hospital is under construction. The institution continues to expand its ambulatory care for patients in the greater New York City area. Since 2007, the faculty group practice has grown from 600 to 2,700 physicians at more than 150 locations, and overall revenues have more than tripled.

- NYU Langone now consistently receives five stars for overall performance and is ranked by *U.S. News & World Report* as one of the 10 best hospitals in America.

- For four years running, NYU Langone received top rankings for overall patient safety and quality of care from Vizient, formerly the University HealthSystem Consortium (UHC).

- The medical school has risen in *U.S. News & World Report's* rankings from 34 to 11 in seven years — one of the more rapid increases in the magazine's history.

- Research grant funding from the National Institutes of Health (NIH) rose from \$122 million in 2008 to \$189 million in 2016, despite NIH funding remaining virtually flat nationally.

NYU Langone achieved these dramatic results even though it had to contend with several challenges, including the destruction wrought by Superstorm Sandy in 2012. And although much of the discussion involving the reinvention of healthcare delivery revolves around technology or new business models, NYU Langone's transformation has had people at its core. Grossman knew that a more committed, engaged workforce would be the primary

competitive factor in a service-driven, knowledge-intensive business such as healthcare. By focusing on three mutually reinforcing elements, Grossman and his team unleashed the motivation to excel at all levels across the institution. The elements were (1) creating belief in an inspiring stretch vision and then translating it into tangible improvements for each area; (2) championing data transparency as a powerful source of focus and motivation; and (3) committing to upgrading and supporting talent in key roles.

An Inspiring Stretch Vision

Grossman, educated at Tulane University and the University of Pennsylvania, was 60 years old and a nationally recognized neuroradiologist when he was named CEO. In his October 2007 investiture speech,

care. *World-class* was also a significant term. Grossman was declaring that the institution would be judged by externally validated standards, and would measure up against the very best centers of academic medicine — places such as Harvard, the University of Pennsylvania, and Johns Hopkins. In an interview, he later recalled, “I wanted to articulate the vision early and let people know I meant it.”

But the gap between the aspirations and reality was glaring. The School of Medicine was losing more than \$12 million every month on its operations, and the hospital was not making enough to support the school’s losses. Even among the leadership team, many openly questioned whether Grossman’s vision could actually be achieved, and there was far greater skepticism

broader organization in a structured dialogue about the vision. The senior team jointly crafted a concise document they named the “Statement of Strategic and Organizational Direction” and shared it with the entire organization, along with a call for input. In addition, a task force of 12 leaders below the senior level conducted confidential interviews with more than 100 people, representing a cross-section of the organization’s extended leadership.

The unvarnished key findings from the data were then shared with the senior team. There was good news — the great majority of respondents agreed with the need to transform the organization and viewed the vision as personally meaningful. However, they also viewed NYU Langone as ill equipped to achieve any of its strategic priorities, and they were hungry for greater clarity about how the vision could be achieved. Additionally, respondents saw the organization’s deep silos and the senior team’s lack of effectiveness as critical obstacles to success.

In light of the feedback, the senior team focused and reoriented its agenda. To clarify the path needed to achieve the vision, Grossman drafted a one-page, “50,000-foot” strategic road map, providing an overview of the sequencing and interrelationships among the key initiatives, such as the implementation of an integrated IT platform, the complete renovation of the emergency department, and the introduction of a new medical school curriculum. The senior team then undertook a 60-day drill-down to develop “10,000-foot” plans for each of the three core missions — research, education, and patient care — including a view of the support and coordination requirements from key functions.

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just four months into his tenure, he laid out a bold 10-year vision to restore NYU Langone to its status as a “world-class, patient-centered integrated academic medical center.” The language he used was carefully chosen. *Integrated* signaled the combination of the hospitals and the medical school, which had been separated in the 1990s as the precursor to an attempted merger with another organization. It also highlighted the need for greater collaboration across functional disciplines; department boundaries; and the three missions of research, education, and clinical

among the clinicians and researchers who would be critical to its success. Grossman and the senior team had launched an ambitious range of initiatives, and key leaders across the institution were now working at a frenetic pace and experiencing overload and conflict.

“Building belief in the vision was critical,” Grossman said. “I also wanted to show the institution that it was much better than what [critics] perceived, yet at the same time, [I wanted stakeholders to] embrace the brutal facts.” He decided to engage the leadership team and the

In parallel, Grossman and the vice deans responsible for the missions began meeting weekly to get a broader view of operations, and the entire executive team redoubled their efforts to improve collaboration and break down silos, focusing on the potential for integration. Previously, fragmented responsibility between the medical school and hospitals had made it easy to accept some problems as unsolvable.

lational and clinical research, and a patient-centered approach.

Once the mission road maps and corresponding functional plans were complete and fully vetted, Grossman and the team engaged in a second wave of broad organizational engagement. In November 2008, about a year after the original investiture speech, they brought more than 500 key individuals together to discuss NYU Langone's

had seen how data had the power to transform performance. NYU Langone's radiology department had not ranked among the nation's top 40 in 2001 when Grossman arrived. But Grossman deployed benchmarking to compare its performance, metric by metric, with that of the top five departments in the country, identifying the specific dimensions along which the department needed to improve. By 2006, the radiology department was considered one of the best in the country.

Starting in 2008, Grossman sought to bring the same approach to bear across each of the medical center's departments, the critical performance units that served as the focal point for accountability for the entire faculty. The leadership team charged a task force of forward-thinking department chairs with addressing the question "What would departmental excellence look like in the context of a 'world-class, patient-centered integrated academic medical center'?" In effect, they were asking the task force to translate the implications of the vision all the way down to the organization's most important frontline performance units. Taking input from all the chairs, the task force highlighted the key dimensions that would define excellence, the relevant metrics, and the potential sources of data for measuring progress. Once these had been agreed to, the information technology department created an online dashboard. Initially, the dashboard served as the basis for individual department review meetings among the chair, Grossman, and the vice deans, but after a year Grossman opened access to the entire dashboard to all the department chairs. "It was a single source of truth," Grossman

In addition to providing inspiration from the top down, Grossman was a great believer in the importance of working from the "data up."

(A damaged wall from a leaking pipe went unrepaired for six weeks as the hospital and the School of Medicine debated financial responsibility.) Consolidated responsibility within newly integrated functions such as finance, IT, and real estate and facilities clarified accountability for results, and practical improvements could finally be made without bickering.

Integration would also mean working in more cross-functional and multidisciplinary teams. So Grossman and his direct reports allocated scarce discretionary funds to make early investments in research "centers of excellence" such as brain aging, multiple sclerosis, and skin cancer, forming new collaborations among researchers from a wide range of complementary disciplines. Similarly, they designated a short list of strategic clinical areas such as cancer and musculoskeletal disorders where they could focus their efforts to combine clinical excellence, trans-

future. In four large group meetings, executives described each of the mission road maps and the sequence of strategic steps they would take to realize the vision. They highlighted the progress that had already been achieved on key initiatives, including record-breaking fund-raising results (more than \$300 million total in 2008), and gave participants the chance to share their own assessment of progress. The skepticism that had greeted the initial announcement was turning to belief. According to Grossman, "Other people began to say we could be a great institution. We had awakened their imagination to the possibilities."

Empowerment through Data

In addition to providing inspiration and direction from the top down, Grossman was a great believer in the importance of working from the "data up." As chair of the radiology department from 2001 until his promotion to dean and CEO in 2007, he

said. “I was able to look at data every day from my office and know what was happening throughout the institution. It did not take long, and soon others were looking as well and making improvements in their own departments as well as learning from others.”

Data transparency was a powerful motivator. Each department chair could see his or her own progress, and compare it with that of peers. Performance demands were not simply being imposed from the top of the hierarchy. Rather, the departments set aspirations and could judge their own progress, using metrics and corresponding data that they had helped define.

Data transparency was an equally potent catalyst in making improvements in hospital operations and patient care quality. Traditionally, most hospitals — including NYU Langone — had not widely

standing of their own role in the larger enterprise, but also signaled a commitment to meritocracy and demonstrated results.

Supporting People

Grossman recognized that upgrading talent in key positions was a prerequisite for achieving his vision. But in an academic setting, leaders don’t necessarily have the ability to make wholesale changes quickly. He understood when to move rapidly and when to have patience with talent challenges. On his first day as dean and CEO, Grossman consolidated functional support areas between the medical center and the hospital. He used it as the opportunity to replace five of his direct reports and promote more aggressive managers in their stead.

It was clear that the center’s 33 department chairs, who exerted power over department resources

Early vacancies in neurosurgery and psychiatry let Grossman establish a new profile for what sorts of people he wanted to see as NYU Langone department chairs: those high in emotional intelligence and executive leadership capabilities. Over time, as he filled positions, Grossman balanced national searches and internal promotions. Anticipating the need to navigate around some entrenched incumbents, Grossman and the leadership team instituted six-year chair terms and established a faculty committee to redraw department boundaries, for example, combining parasitology with microbiology.

Grossman matched the heightened expectations of the department chairs with an increased willingness to invest in their success, upgrading the role and managerial abilities of the department administrators to ensure each chair would have a key right-hand person to help in running his or her department. He provided the resources to recruit the top faculty nationwide in priority areas and to fund key initiatives. The leadership team created an extensive orientation program for chairs who were newly recruited or promoted, and ultimately evolved it into an in-depth leadership development program open to all the chairs.

Over time, Grossman used progress on department metrics as an incontrovertible performance standard for chairs. Some of them chose to step down, appreciating the extent of the change in expectations for their role. In other cases, Grossman used the new term limits to create opportunities for replacement. By 2015, 30 of the 33 department chairs had been replaced.

These moves were, in part, a means of addressing an even more

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shared clinical outcomes data. Bernard Birnbaum, the new head of hospital operations promoted by Grossman, formed a high-level task force on quality aimed at sharing data more broadly. Starting with a focus on mortality and length of stay, the task force doggedly surfaced the data and followed where it led, even if it meant having difficult conversations with some of the most powerful and productive clinicians.

Pursuing data transparency not only gave people a greater under-

and the career prospects of faculty, were among the most influential people in the institution. But there was a challenge. It was typical for chairs to rise to their position on the basis of their excellence as individual researchers or clinicians, or owing to recognition in the broader field — not on the basis of organizational or leadership skills. What’s more, many of these veteran physicians were entrenched in the legacy mind-sets Grossman was seeking to change.

difficult, deep-seated problem — low faculty productivity. When Grossman took over, 25 percent of the research faculty were attracting no research funding whatsoever. And the benefits structure encouraged lifetime employment, with no official retirement age.

Grossman and the leadership team established a faculty committee to address the issue, fully cognizant that similar committees had been established in 1997, 2004, and 2006, only to wither in the face of faculty opposition. This time, buttressed by strong backing from the board of directors, leadership maintained its resolve. “If a faculty member objected and tried to make an end run to the board, then Ken Langone, the chairman, would stand shoulder to shoulder with me,” Grossman said. “The faculty learned I had the full support of the board throughout the process.”

The committee used external benchmarking to demonstrate that the most respected academic medical centers had explicit productivity expectations, thus paving the way for a three-year phase-in of productivity standards at NYU Langone by 2010. A “step down” program introduced in 2008 created incentives for retirement, and 50 faculty members ultimately took the offers. As department chairs faced increasing accountability for the overall productivity of their departments, they began to allocate resources such as lab space to reflect individual faculty productivity.

Grossman and the leadership team knew they had the support of the top quartile — the most productive faculty. “We needed to convince the great majority in the middle that they would actually benefit from meeting the higher expectations of a

top-performing institution,” Grossman said. Early successes in winning grants, providing additional financial resources, and improving rankings all contributed to growing support. By taking on the toughest issues, while slicing them into manageable pieces in order to avoid large-scale confrontations, Grossman and his team succeeded at winning supporters.

Surviving the Storm

On the night of October 22, 2012, it seemed as though all the momentum built over the previous five years — if not the institution itself — might be swept away by Superstorm Sandy. Unprecedented storm tides breached the barriers protecting the buildings on the east side of Manhattan, entering NYU Langone’s basements and knocking out all backup generators. More than 300 patients, many in critical condition, were evacuated down blacked-out emergency stairwells by NYU Langone clinicians, house staff, and students. The entire hospital facility was forced into indefinite shutdown.

The crisis became a true test of the organization’s resilience, and leaders at all levels rose to the challenge. Despite extensive damage, the hospital resumed core functions in 59 days — sooner than anyone expected. Grossman continued his weekly staff meetings despite the degraded physical surroundings, sending a signal that they would all carry on. On the day after the storm, he told his leadership team, “This is not a disaster. It’s a tremendous opportunity to start anew and rebuild for the future.”

Student lectures were suspended for just a week and then relocated to other facilities. Clinical rotations were relocated to more than a dozen

other hospitals for three months, and the entire healthcare staff was seconded to other hospitals around New York City. Had there been problems with the culture or the level of commitment to the institution, this upheaval could easily have resulted in a dramatic loss of the best staff to their new host institutions. Instead, NYU Langone experienced 100 percent staff retention through this difficult period, undoubtedly aided by its decision to keep all staff on full salary throughout the closures (a move that astounded the unions).

Restoring all services quickly and retaining all staff at a cost of millions of dollars would not have been possible if Grossman and the senior team had not fundamentally strengthened the institution over the previous five years. If anything, the crisis actually galvanized further improvements. Despite all the disruption, the following year NYU Langone ranked first in quality and patient safety among all academic medical centers, according to the University HealthSystem Consortium 2013 Quality and Accountability Study. Meanwhile, by making an innovative settlement with the federal government, the devastated emergency department closed for 18 months to undergo a thorough expansion and upgrade.

An Organization Transformed

At the heart of the NYU Langone transformation was Grossman’s legitimacy as a leader. He held himself to the same aspirations and high standards he applied to the organization. He consistently relied on data to measure performance and achievements and to avoid playing favorites. Grossman integrated his heightened expectations with per-

sonal strategic insight and creativity. He was also backed up by a united board including Langone, the visionary chair. The board gave Grossman a clear mandate, reinforced by an unprecedented level of capital donations, and stood by him on even the most contentious of issues, such as raising faculty productivity.

NYU Langone has forged a path to rejuvenation. A vision can create a unity of purpose and spur everyone in an institution to reach higher and contribute to improvement. Data transparency enables everyone to see benchmarks and measure progress. And efforts to upgrade and support talent bring energy and build commitment. Many other institutions might benefit from following NYU Langone's three-part prescription for organizational transformation. +

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