HOW HEALTH CARE LEADERS CAN EFFECTIVELY LEAD STAFF IN TRANSFORMING HEALTH CARE

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Introduction

The health care industry is undergoing massive change as a result of strong economic and consumer pressures. The need to manage change quickly and effectively has become the primary focus for health care managers. In order to be effective change leaders, health care leaders need change management knowledge and skills. They must understand the broad perceptive regarding the transitions occurring in health care and reasons for these transitions. Change leaders need to also understand how change works (Figure 1). Experience and research has provided knowledge which can guide health care leaders in successfully managing the change process.

Understanding The Economic and Consumer Factors Driving Health Care Change

Before leading staff through change, health care leaders need to have an understanding of the current economic, consumer and corporate pressures driving change in health care. Understanding the factors driving the many transitions in health care change will assist health care leaders to develop the commitment necessary to weather the storms ahead when major change is introduced at work. Along with a commitment to major change, health care leaders need to “sell” the reasons for the unraveling of the current health care system and create one response to the current and future demands of the marketplace.

Profit, Efficiency and Effectiveness

Profit, efficiency and effectiveness are among the primary factors driving the transforming changes. These challenges are forcing the industry to radically restructure itself (Herzlinger, 1997; Kerfoot & Helsing, 1994; Lombardi, 1996b; O’Malley and Cummings, 1995). The strongest challenge, according to Princeton University economist, Dr. Reinhardt, is dealing with the shift from supply side to demand side economics (Reinhardt, 1995; Robinson, 1996). The beginning of this shift occurred, in the early 1980’s, when Congress decided to capitate illness through Medicare diagnosis-related groups (DRGs) and limit physician payments with fee schedules. Since that time, health care has enjoyed an extended period of expansion, and overabundance. Now, in late 1990’s there are more hospitals, health care specialists and medical equipment than are needed.

Consumerism

Along with shifts to an attitude of steadily increasing profits through efficient structures and procedures, has come the strong wave of “consumerism”, characterized by individuals engaged in comparison-shopping. Consumers are making informed choices by selecting services with institutions that offer “customer-oriented” services at lowest cost.
Pressures From Health Care Insurance Companies

Additional pressures have come from the health insurance companies, which have strongly advocated and supported informed consumer decision making. The insurance industry has also intensified its demand for discretion from health care providers. Health care services and tests are under continual scrutiny by the cost conscious health insurance companies. As a result of this pressure from health insurance companies, health care providers have been forced into deciding what services are absolutely necessary (Herzlinger, 1997; Lombardi, 1996b).

Merger Mania

These economic, consumer and corporate pressures have lead to an intensive surge of change over the last five years. During this period, the level of change has been fast and furious. One form of change, consolidation, has emerged, and dominated the health care arena (Herzlinger, 1997; Kerfoot, and Helsinger, 1994; Ketter, 1994c; Robinson, 1996; Singleton and Nail-Hall, 1995; Synder, 1993).

Consolidation Trends

Extensive consolidation activity has been appropriately referred to as “merger mania”. This trend is sweeping the United States health care industry. Much of this movement is due to investor owned hospital chains demanding higher returns on investment. Consequently, many for-profit and non-profit institutions have unified. The overwhelming volume of mergers occurring recently has caused a realignment of relationships between and among physicians, hospitals and managed care organizations (Ketter, 1994c; Lumsdon, 1996; Milum-Wood, 1992; Robinson, 1996; Sherer, 1994; Synder, 1993).

Institutions Attempt To Respond To The Pressures

Responding to these intense pressures from many fronts, health care organizations have attempted to strengthen their financial positions by initiating change. Sound, logical and thorough change plans have been devised. The implementation of these plans promised to yield tremendous financial benefits for health care organizations. Unfortunately, in many cases, these initiatives failed to deliver the expected results, and instead of strengthening health care organizations, these changes have left them weakened (Lumdson, 1996; Lutz, 1996; Moore, 1995; Sherer, 1994 ).
The Startling Facts About Health Care Change Initiatives

Significant Studies Of Change Initiatives

Many health care organizations have experienced damaging financial setbacks when change initiatives failed to deliver positive results. The reports and studies of organizations from many diverse industries, including health care, are quite shocking (Lumsdon, 1996, Maurer, 1996; Moore, 1995; Sherer, 1994; Zweig, 1995). Some of the findings are shown in Table 1 and reflect that many organizational change initiatives are failing.

Investments Halt When Paper Changes Made

Perhaps the primary reason for the extensive incidence of failure is that change management is not well understood. Many organizations spend enormous amounts of money to initiate the change, but do not attempt to support it. In the case of mergers; lawyers, accountants, bankers and other professionals are well compensated for their efforts in making the change happen. After the paper work is completed, the investment dollars cease. Many organizations believe that once efforts and financial resources are expended to make the change occur, success is guaranteed. Unfortunately, strong research has found this type thinking faulty in its conclusions. Many studies conclude that once the change initiative is undertaken, intense efforts are needed to make the change work (Bridges, 1991; Conner, 1995; Lombardi, 1996; Maurer, 1996; Pritchett, 1996, Sherer, 1994; Zweig, 1995).

Reasons For Organizational Change Failures

Experts claim there are a number of reasons why mergers fail (Zweig, 1995). These include:

- Inadequate appraisal of the merger partner
- Lack of compelling strategic rationale
- Unrealistic expectations of possible synergies
- Paying too much
- Conflicting corporate cultures
- Failure to move quickly to meld the two organizations

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The appropriate execution of mergers is a key factor in determining its success or failure. After an exhaustive study of mergers, Business Week journalists concluded, “Good post merger integration rarely makes a really bad deal work, but bad execution almost always wrecks one that might have had a shot” (Zweig, 1995, p.124). Fortunately, health care executives are beginning to notice this research and are seriously considering the various studies and reports that explain the reasons for merger failures.

Some executives who have gone through a major organizational change have indicated that more time was spent on the economic and legal aspects of the merger and not enough on corporate culture. With this experience, some executives have indicated that they would have addressed corporate culture issues as early as in the strategic planning stages of the merger. The impact of culture on the success of the change initiative has been found to be critical (Sherer, 1994).

Successful execution of change involves dealing with the human resource issues. The human side of change must be addressed and taken seriously. Experience has indicated that there are strategic methods to deal with the human side of transitions that is extremely effective in making the change successful (Conner, 1995; Dianis, et al., 1997; Lombardi, 1996; Pritchett, 1994a, 1994b).

### Successful Change Through Effective Execution - The Human Resource Issues

Employees are deeply affected by major change within organizations. Most individuals like and need stability and security in our work environments (Dianis, et al., 1997; Triolo, Allegeir, Schwartz, 1995; Zweig, 1995). The introduction of major change causes a period of uncertainty and instability. Psychological defenses can cause staff to resist change. When individuals are overwhelmed with change, they stop assimilating information and begin ignoring it.

Organizations need to realize that once change is initiated, it is critical to help employees begin to assimilate the transitions at a manageable speed. Giving employees an opportunity to work through their emotions is necessary to work through resistances. Employees need to be heard. When listened to, employees can begin to make the shifts needed to successfully implement the changes (Bridges, 1991; Maurer, 1996; Pritchett, 1996).

### Understanding Change Management - How Health Care Professionals Are Affected

#### Change and Grief

Elizabeth Kubler Ross, a psychiatrist, researched the effects of change on individuals in her work with terminally ill patients. Ross (1969) developed a grieving model, which is now utilized in understanding and helping employees deal with losses that accompany organizational change. Based on Ross’ model, organizational development consultants have devised effective interventions. William Bridges, a change management consultant found that individuals encounter predictable stages of adjustment to organizational change (Bridges, 1991).
A psychological and emotional process takes place within individuals in response to change. Table 2 describes the elements of this process. Organizational development consultants and researchers have found that there are three distinct groups of employees affected by the change process. Change affects each group somewhat differently, and appropriate interventions should be utilized with each group.

**What Groups are Affected**

The three groups of employees that are affected by change initiatives include terminated employees (released due to downsizing), those remaining after downsizing (survivors), and other employees affected by change initiatives other than downsizing. The first group that will be addressed is the terminated employee. Experience on the affects of transitions on the terminated employee has demonstrated that proper termination strategies and the use of outplacement services are essential in order to protect the health care institution and to assist the employee to obtain new employment (Ketter, 1994b; Meyer & Shadle, 1994).

**The Termination Process - Guidelines For Leaders**

**Downsizing Impacts On Terminates Employees And Organizations**

The layoff process has a major impact on the individuals terminated and also the “survivors” of the downsizing. Employees may attempt to control the situation by expressing anger toward management. This is an expected reaction from employees in times of trauma (Moore, 1995). These employees need to be counseled to work through their raging feelings. Angry employees may damage the organization if they are not properly counseled. Sensitivity regarding these factors in the downsizing process can significantly improve the mental health of terminated employees and of the survivors (Ketter, 1994; Meyer and Shadle, 1994).

**Effective Strategies For Health Care Leaders**

During the downsizing process, all-important issues need to be communicated to employees (Table 3). Leaders need to communicate everything that is planned and implemented, including who will be separated from the organization, when this action will occur, and how the selection process was determined. Leaders need to be visible and available to address any and all questions that employees may have regarding the downsizing. Visibility and availability by leaders can be extremely beneficial actions that help employees deal with the lack of consistency and continuity during this traumatic period.
The Need For Confidentiality

In confidential sessions with their leader, employees that are released should be notified in a sensitive manner, made aware of their severance options, and assigned to a professional “outplacement” consultant for extensive counseling and coaching to grieve the loss of their job and to successfully obtain new employment. Outplacement consultants/counselors can be quite useful in protecting both the released worker and the organization (Meyer and Shadle, 1994).

The Need For Health Care Leaders To Deal With Their Own Reactions

Unfortunately, during a time of crisis, leaders tend to communicate with staff in an inauthentic manner, usually because they have not worked through the trauma of change themselves. Leaders who are able to identify and work their own feelings regarding the crisis, the better they will be able to counsel employees (Bell, 1995; Noer, 1993; Kerfoot & Helsinger, 1994). Table 4 provides an exercise for dealing with change. Leaders should use this exercise to examine their own feelings regarding transitions, prior to leading staff through transitions.

Outplacement Services - Protecting the Organization and Assisting the Terminated Employees

What are Outplacement Services

Outplacement services consist of four stages: a) assessing the organization, b) termination training for leaders, c) personal/career assessment, and d) counseling/job search assistance for terminated employees. Outplacement services are designed to help the released worker to establish a more positive attitude, appropriate career direction and ultimately find suitable employment.

Who Should Use Services And Why

Outplacement services benefit both the terminated employee and the health care organization. Individuals who are terminated must be effectively counseled to deal with the grieving process that occurs with loss. Effective counseling of terminated employees is critical for the following reasons: terminated employees may seek revenge, lawsuits may be filed against the institution, and termination without assistance may jeopardize the institution’s reputation.

Consequences Of Not Referring

If health care organizations decide to not assist the terminated employee, potentially damaging consequences may result. First, terminated hospital employees may engage in violent revengeful activity toward the organization or its members. Secondly, the released employees may file costly lawsuits against the former employer as a reaction to the anger and rage. Thirdly, terminating valued workers without giving assistance, could jeopardize the health care institution’s reputation with fellow employees, the community, vendors, customers, potential new hires, and other stakeholders (Meyer & Shadle, 1994).
Understanding The Affects Of Downsizing On Remaining Hospital Staff

Impact Of Survivors Of Downsizing

Survivors are those employees who remain after a downsizing. Survivors usually are talented employees that are responsible for re-building the health care organizations after downsizing has been implemented. Health care leaders need to help “survivors” adjust to the loss of staff, and work under new conditions. Methods to assist survivors in maintaining high levels of productivity during traumatic periods is the next topic of discussion.

Guidelines For Health Care Leaders

Constant and intensive communication by leaders regarding all the downsizing activities is a critical factor in creating an environment in which survivors will be more productive in the midst of a traumatic event. Former corporate executive, David Noer (1993), conducted pioneering research on “survivors”. Noer found that employees remaining after downsizing experience a host of debilitating feelings: including anger, guilt, sadness, depression, fear, frustration, betrayal, distrust, and resentment. These symptoms (Table 5) may persist and intensify over time, if interventions are not implemented.

It is important to realize that employees do not resist the changes that are imposed on them. Their resistance is an expression of fear and anxiety, which is caused by the uncertainties they face. Most organizational change brings some losses and endings of what was comfortable and familiar. Change also brings feelings of inadequacies. Intense change leads employees to question what the change will mean to them and what they will be asked to do differently (Bridges, 1991; Conner, 1995; Noer, 1993).

Leaders Need To Deal With Employee Losses

Employees also examine personal issues, including the possibility of a geographical transfer, loss of a home, personal friendships, and status in their community. Losses may involve the severing of relationships with trusted co-workers and perhaps the loss of a territory. Loss may involve a change in routine, an increased workload, or expectations of increased performance. These factors can have a significant impact on employees and lead to heightened levels of fear and anxiety about their work (Bridges, 1991; Conner, 1995; Noer, 1993).

Motivational Problems With Survivors

As a result of survivor losses, health care organizations have encountered motivational problems with the employees that have been left after a downsizing. Anxiety and fear can lead to reduced risk taking, lowered productivity, survival blaming, denial, and possible vengeance toward management. Also, if survivors are not appropriately counseled, their levels of productivity could drop significantly and in some cases, sabotage or intended derailing of organizational success can occur.(Bridges, 1991; Conner, 1995; Noer, 1993, Triolo, Allegeir, Schwartz, 1995).
How Leaders Can Help “Survivors” Remain Productive

Some Leaders may have unrealistic expectations about the “survivors.” In the view of some leaders, the “survivors” should be grateful to have a job after the downsizing. Some leaders may perceive these unproductive behaviors as signs of laziness or rebellion and unknowingly worsen the situation by applying more pressure and using threats in an attempt to elicit desired behaviors.

Health Care Leaders Need To Build Employee Self Esteem

Leaders can help employees remain productive during major change (Table 3). Employees’ perceptions of loss need to be acknowledged. Employees attach value and meaning to the activity or thing lost and this attachment has an emotional effect on self esteem and job performance. Leaders should identify the employees that are experiencing losses. Next, leaders need to determine the specific losses that are affecting employees and appreciate the meaning of the loss for the employee (Knaus, 1995a).

Leaders should be prepared for the grieving process because it always occurs. Some workers, especially those that are quieter and more introverted, may suppress their emotions. This will greatly affect their work performance. Leaders should engage in open and empathic communication with employees during the entire change process. It is important to identify the feelings of employees, and allow them to communicate these feelings (Knaus, 1995a, Pritchett, 1996).

The Value Of Employee Venting

The communication of feelings is a valuable venting activity for employees, which helps them with the loss. Listen closely, carefully and intently to the distress. This will help employees cope more effectively. Also, health care leaders should educate the staff on topics such as: change management skills, humane termination procedures, the “survivor syndrome” conflict management, negotiation, team building, stress management, and offer training and education classes to gain new skills (Knaus, 1995a, Triolo, Allegeir, Schwartz, 1993).

Shifting The Responsibility Of Employee Career Security

When health care leaders are honest about change, employees are forced to deal with the reality that their jobs may not be secure. If employees receive consistent, open and honest communication they can begin to take responsibility for their own career security. By discussing the new realities of the work environment, employees can begin to find security in their skills and talents, rather than the employer (Knaus, 1995a).
Conclusion

Health care organizations are undergoing a revolution in defining their mission as a human service provider. Economic, consumer and political pressures are demanding health care institutions create new structures and methods of service delivery. These pressures and trends are causing intense organizational change within health care institutions that will only increase in the coming years. How leaders introduce, implement and support change initiatives is critical to every health care organization’s position and success in the market place.

The execution of change must be a priority in both the planning and implementation phases of the introduction of major change within health care organizations. Effective execution assures success. Effective execution means dealing with the “people” issues regarding change. Recognizing and understanding change management research and implementing effective strategies will assure an organization’s remaining a competitive player in the health care market place.

Successful change starts with leaders’ accepting and working through their own reactions to change. Leaders need to lead their staff by first examining their emotions, symptoms, and coping strategies. Employees must have confidence in their leaders’ ability to persuade and support them during the rough parts of change. Utilizing the interventions discussed in this article will help restore, maintain and increase motivation, productivity and a sense of direction to employees and the health care organization. Instead of merely coping with change, your organization can thrive and excel in these unpredictable times.

When the execution of change is properly addressed and the human side of change is handling appropriately, health care organizations will become strengthened and poised institutions that will confidently and successfully meet the challenges that face them in the new millennium.
Appendix

Figures and Tables

Figure 1

The Change Process

Understand the reasons for change

Understand how successful change works

Understand the human issues of change

Identify and work through your own reactions to change

Recognize the symptoms of change

Deal with the symptoms of change

Avoid mistakes that can prevent success during change

Lead, guide and coach employees

Employees are more confident, motivated, committed, and satisfied

Achieve successful change - reach strategic and financial goals
Table 1  Failure of Change Initiatives

- **McKinsey & Company** report that only 23% of corporate mergers recovered costs.
- **50% of mergers** “went straight downhill”.
- **Senior executives** in Fortune 500 companies stated that less than 50% of change in their organizations were successful.
- **Up to 75%** of all hospital - hospital mergers fail
- **Deloitte & Touche Study** - Health Care Downsizing and Restructuring

(Maurer, 1996; Sherer, 1994)

Table 2  The Process of Undergoing Change

**Undergoing Change:**
1). Involves stages of emotional adjustment
2). Can be experienced differently by individual employees
3). Is necessary in order for the employees to be ready and able to perform effectively and implement change initiatives
4) Is necessary in order for employees to become motivated and committed to implement the change initiatives and help build the new organization.

Knaus, 1995b
Table 3  **Assisting Employees To Adapt And Thrive In Transitional Times**

- Be fair
- Be visible and available
- Use interactive feedback
- Elicit solutions to problems from employees
- Reinforce the need for the change
- Encourage a collaborative attitude
- Admit when you lack information
- Clarify new roles and relationships
- Prepare and support employees
- Be prepared for the grieving process, it always occurs
- Identify the workers that are experiencing losses and the specific losses
- Appreciate the meaning of the loss for the employee
- Recognize that employees resist the fear of the unknown, the losses, the endings, and the inadequacies that accompany major changes
- Understand employees experience fear and anxiety from increased work loads and higher performance expectation
- Understand that losses may involve the severing of a relationships with trusted co-workers and loss of a level of comfort and familiarity
- Employees examine personal issues: potential geographical transfer, loss of a home, personal friendships, status in the community
- Engage in open and empathic communication during the entire change process
- Listen closely, carefully and intently to the distress the worker feels
- Be aware that some workers may suppress their emotions
- Identify and acknowledge the feelings of employees, and allow them to communicate these feelings
- Compensate the employees for their losses, such as offer training and education classes to gain new skills, or outplacement services
### Table 4  Exercise on Examining Your Responses To Change

**Directions:**
Choose a recent “change” at your workplace and answer the following questions:

- How are handling this change in the workplace?
- Is this change having a positive or negative affect on you?
- What reasons do you have to support this change?
- What reasons do you have to resist this change?
- Do you feel you are currently resisting this change in any manner?
  a. If yes, how are you resisting this change?
  b. If yes, why are you resisting this change?
### Table 5 Recognizing Symptoms of Transitions

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<tr>
<th>Common Emotional Reactions of Survivors To Downsizing</th>
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<tbody>
<tr>
<td>* Fear, insecurity and uncertainty - from layoff</td>
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<tr>
<td>* Frustration, resentment, and anger - are common emotions</td>
</tr>
<tr>
<td>* Sadness, depression and guilt - survivors may mask depression and sadness</td>
</tr>
<tr>
<td>* Unfairness, betrayal and distrust - blaming management and others</td>
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<tr>
<th>Coping Methods Employed By The Survivors</th>
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<tr>
<td>Various types of coping methods are employed by the survivors. Some are unhealthy for the individuals and the organization.</td>
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<tr>
<td>* Reduced risk taking, rigid posture - reluctant to take on new tasks and initiatives</td>
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<td>* Lowered productivity - survivors may be preoccupied with seeking information</td>
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<tr>
<td>* A unending need for information - rumors, gossip, are informal ways to get information</td>
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<tr>
<td>* Blaming - each level may blame the level above them</td>
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<tr>
<td>* Denial - the higher up in the organization the stronger may be the denial</td>
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<th>Symptoms That Persist &amp; Intensify</th>
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<tr>
<td>If intervention does not take place, survivors’ symptoms persist and can intensify.</td>
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<tr>
<td>* Increase in fatigue and depression - occurs with loss of hope, when change continues</td>
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<tr>
<td>* Stronger sense of control loss - many workers hang on</td>
</tr>
<tr>
<td>* Heightened and more focused anger - more intense blaming and scapegoat behavior</td>
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</tbody>
</table>

Adapted from Bridges, 1991; Bridges, 1994; Noer (1993)
References


