Don't Just Fix It! Build an Organization that Fixes It

My job is to develop an organization that can solve problems and deliver outstanding results, with or without me.

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SUMMARY: By focusing on transformation strategy, my entire organization addressed our challenges and delivered results. That's both leadership leverage, and a legacy to be proud of.

When I was growing up, my siblings were puzzled why Dad always let me use the family car (even his favorite 1974 Ford LTD). He once told me why: It was because I always returned the car freshly washed with a full tank of gas. I always made certain to leave things better than how I'd received them.

The same is true to this day. In every leadership position I've had, my focus has been on leaving a legacy of a high-performing organization that delivers significant results, year after year.

It's not just because of what I learned from my Dad. I know that, as a CIO and corporate officer, I alone can't deliver the promise of technology-enabled business strategies in the digital age. And I certainly don't want to become a bottleneck for delivering value.

My job is to focus the entire IT organization on reliably delivering strategic value in everything we do – an internal "supplier of choice" for IT, and the "employer of choice" for our talented staff. For this reason as well, leading an organizational transformation is much more satisfying to me than leading a high-profile project or two.

Here's an example of how I go about doing that.

Aurora Health Care

Aurora Health Care was a not-for-profit integrated health care provider with 15 hospitals, more than 150 clinics, and over one million patients.

Health care is a technology- and information-intensive business. There's a lot more than the obvious patient records, scheduling, billing, and business functions. IT is the foundation for big-data analyses of population health, automated surgical operating rooms, integration of care across departments, and more.

When I took on their CIO role, Aurora was ready to invest in information technologies that would help it lead the industry in patients' experiences, outcomes, and every other measure of a world-class integrated health care provider. My job was to take IT to the next level.

I knew that before I produced a business and a technology strategy, I had to build an IT function that could deliver on those promises.

I engaged an expert on organizational strategy, Dean Meyer [www.ndma.com] right from the start. Together, we diagnosed what I'd inherited, identified systemic obstacles to our staff's success, and put together a plan.

Foundations

My plan was founded to two keystones: a vision of how organizations should work; and the sciences of organizational design.

My vision is simple: I like running businesses; even when that business is inside a larger business. So, I believe that in a great organization, every manager should think and act like an entrepreneur running his or her own business within a business.

Behaving in this way doesn't make us passive order-takers, and it doesn't require chargebacks. Instead, what it means is that every job is defined by what it produces (not what it does); and funding (my budget) is provided not to cover our costs but rather to "buy" our products and services. In my experience, this leads to great partnerships with customers, with clear and distinct individual accountabilities. And it induces an innovative, customer-focused, entrepreneurial spirit, as well as great teamwork and empowerment.

This business-within-a-business vision provided a direction for every change we made.

As to the mechanics, I believe that the organizational "ecosystem" in which we work is a critical driver of performance. It can set up self-imposed hurdles, or it can facilitate performance in every aspect of our work.

In his book, *RoadMap: how to understand, diagnose, and fix your organization* [Meyer, N. Dean. 1998.], Dean described five organizational systems that determine the character of organizations and drive their performance.

I assessed the organization I inherited, and found that most of the concerns people expressed (and I observed) were the result of the same few root causes – problems in the design of these five organizational systems.

Five Organizational Systems (Meyer)

- Resource-governance processes ("the internal economy")
- Structure and teamwork processes
- Culture
- Methods and tools
- Metrics and rewards

Organizational Strategy

Ultimately, we needed to treat all five organizational systems. But, an organization can only adopt a limited amount of change at a time. So, I had to sequence our organizational initiatives based on criticality, my sense of urgency, and their interdependencies.

My organizational strategy included eight steps.

These organizational initiatives were top strategic priorities for us, and explicit performance objectives for the entire leadership team.

My Organizational Strategy

1. Structure (tier one) and leadership talent
2. Internal economy: investment-based budgeting
3. Internal economy: demand management (governance)
4. Structure (remaining levels)
5. Benchmarking
6. Culture
7. Methods and tools
8. Metrics and rewards

Structure (Tier One) and Leadership Talent

My first priority was a quick restructuring, just at the level of my direct reports (tier-one). This was necessary to create key positions that were missing, so I could get started recruiting the senior leadership talent we needed.

Since it was important to get on to step two quickly, I only addressed my direct reports and moved existing groups under the new tier-one structure intact. I knew this wouldn't be sufficient for the long term. However, I felt we couldn't afford the time for a comprehensive restructuring at this stage.

But I used the same framework that we'd later use to do a comprehensive restructuring [Meyer, N. Dean. *Principle-based Organizational Structure*. 2017.]. That way, this quick first step was not a throw-away, but rather a step in the right direction.

I then recruited top talent into key tier-one positions, including a Chief Information Security Officer, a head of applications engineering, a deputy who led subsequent transformation initiatives as well as our policy and planning functions, and three executive-level relationship managers (clinical, non-clinical, and external partners) who would align IT with business strategies.

Investment-based Budgeting

When I first arrived, Aurora was nearing the end of its budget planning cycle. The CFO came to me, and with apologies for this hitting me so soon after I'd arrived, she said we needed to cut the IT budget by a few percent.

"Of course," I said. "Just tell me what the impacts will be on patient care and other critical directives."

Neither my own staff nor financial staff could answer that simple question!

We ultimately agreed on a budget, but I swore we'd never go through another budget-planning process like that again. The results had been devastating. After years of impossible "do more with less" proclamations, we'd severely underfunded critical challenges such as cybersecurity, regulatory compliance, deferred maintenance, strategic projects, and investments in our people.

So, the top priority for my first year on the job was to implement investment-based budgeting – a zero-based budget for the *services and projects we plan to deliver* next year, not just what we planned to spend. Using a proven planning process and tool [www.FullCost.com], we linked our costs to the projects and services we planned to deliver in the coming year.

This allowed me to say, "With that level of funding, here's what we can (and cannot) deliver." For the first time, executives understood what they were spending on IT and what they were getting for their money.

We got three big benefits:

- **Fact-based budget decisions**: It gave us the numbers we needed to decide our budget based on business needs and strategic investment opportunities. IT had been seriously under-funded in prior years. With our investment-based budget, executives saw what went unfunded. That year, IT funded was increased by approximately 30 percent. And executives understood that new business initiatives would have to be incrementally funded.
- **Managing expectations**: Of course, no company can afford all it desires. So, our business leaders had to decide what they most needed and what they'd do without. By linking funding to deliverables, everybody understood what was funded and what wasn't. Our relationships with clients improved, since we were no longer blamed for not delivering projects that the company couldn't afford. We were no longer the obstacle.
- **Progress on culture**: As an added benefit, by engaging the entire leadership team in this planning process, we saw significant cultural effects. IT managers developed their individual catalogs of products and services. They defined whom their customers are – both clients and one another. They defined teamwork processes. And they understood their cost structures (their rates). They began to think like entrepreneurs.

Demand Management (Governance)

For years, the IT organization had been under pressure to deliver far more than its resources permitted – demand exceeded supply. And IT staff were eager to serve. As a result, we had a long history of over-promising and under-delivering. This damaged our reputation, and it left us with little time or money to invest in the strategic things I was brought in to do.

I knew that increasing the IT budget wouldn't solve this problem. We'd just have the same problem of unconstrained demand, but on a larger scale.

To get this untenable situation under control, we had to install a demand-management process that empowers clients to decide IT's priorities *within the limits of available resources* (as provided by my budget).

We didn't need a committee to "steer" or "govern" us. And we didn't need a committee to simply prioritize (rank order) major project requests. As per another key book, *Internal Market Economics* [Meyer, N. Dean. 2013.], we treated the IT budget as a "checkbook" that belongs to our clients, used to pay for the products and services they choose to buy from us. Demand management is the process by which they decide what checks to write.

With the data coming from the investment-based budget, we were able to divide our funding into checkbooks for various client groups (and one for our own internal investments).

We assigned each checkbook to one of the existing myriad client committees. We explained to all the other client committees that we valued their input, but they didn't have money to spend. They weren't authorized to approve any projects without providing incremental funding.

We empowered those selected client committees to decide our priorities, within the limits of their checkbooks. This included not just major projects, but all the little endeavors that are critical to operations.

Again, we got the intended benefits:

- **ROI**: This improved our alignment with business needs. We stopped projects that weren't going to pay off, and focused on those projects that were of the most value to the business.
- **Trust**: It also improved our reputation. We no longer made promises and then failed to deliver for lack of resources.
- **Collaboration**: It significantly improved our relationships with clients. Business executives took responsibility for managing their demand. IT became their partner, not their adversary. As a testament to our success, we were invited into clients' business-strategy planning processes.
- **Client commitment**: As a positive side effect, clients who had to defend their projects to their own executives became far more committed to making those projects pay off.
- **Progress on culture**: More each day, our managers were thinking like entrepreneurs and knew they'd have to be competitive to maintain their position as Aurora's IT supplier of choice.

Structure (Remaining Levels)

In parallel with implementing demand management, I invested in a comprehensive restructuring.

Groups were spread across too many different lines of business, and some lines of business were scattered all over my organization chart. Boundaries were unclear, and groups were defined in vague terms (a few words in a box) and "roles and responsibilities" instead of lines of business.

Also, we had independent "silos" of generalists instead of centers of excellence with cross-boundary teamwork. This reduced our ability to specialize, which translated into reduced performance in every aspect of our work: efficiency, speed, quality, and innovation.

This is why structure was a high priority and came next in my strategy.

I think all good leaders know that just re-drawing boxes doesn't accomplish much. I took a rigorous, participative approach. I engaged the entire leadership team in the design and implementation of the new structure for two reasons: Their participation gave us the detailed input we needed. And I needed them to understand our new paradigm of internal entrepreneurship and be committed to making it work.

I felt comfortable with a participative approach (without the risk of politicized battles of opinions) because Dean provided us with well-defined principles of design; and he facilitated a meticulous change process. And fortunately, we got great support from HR.

Every group on the new organization chart was defined as a business within the business. This gave staff a clear focus and well-defined individual accountabilities (not just for today's deliverables, but for running an effective small business).

This restructuring went far beyond just a new organization chart. We planned how work will flow in the new structure. For a range of projects and services, we sorted out which group was to be the "prime contractor" and what "subcontractors" (other groups on the delivery team) they'd need. Essentially, we designed a new "operating model," not just a new organization chart.

Doing all this planning before we deployed the new structure ensured that when we went live, we "hit the ground running" and didn't have to muddle around in front of our staff and our clients.

This participation engendered tremendous buy-in, and continued leaders' transformation into empowered entrepreneurs. We've already seen many benefits:

- **Internal boundaries**: Clearly defined lines of business clarified individual accountabilities, eliminated redundancies, reduced territorial friction, and allowed people to specialize.
- **Teamwork**: We broke down "silos" and developed highly effective teamwork across the entire organization.
- **Client/IT accountabilities**: We clarified the boundaries between IT and technology-enabled client functions such as informatics. This improved our collaboration, and allowed clients to focus on their distinct objectives and competencies.
- **Entrepreneurship**: The spirit of entrepreneurship took hold. Staff presented innovative new ideas to our clients. They proactively presented proposals with alternative solutions to clients' needs that were better and less expensive than clients' initial requests. We even sold services externally, such as our electronic health records (EHR) and billing applications.

Progress

At this point, we were two years into the execution of the plan, and we'd accomplished a lot. We were reliably delivering many critical projects. We stabilized operational services, and addressed many business-continuity challenges. We greatly enhanced cyber-security and regulatory compliance. We built excellent working relationships with our clients, especially at the executive level. The organization was working really well.

The transformation was good for our staff as well as our clients. With demand under control, we stopped routinely overworking people. We invested in training and innovation. We gave people well-focused jobs, and empowered them to run their businesses within the larger business. In short, we became a great place to work. Turnover dropped to under 4 percent, and employee satisfaction scores rose to among the best in the company.

With the major transformational initiatives completed, we were ready to institutionalize the changes and refine our processes, addressing the remaining organizational systems:

- **Benchmarking**: It's important to me that we're the "best deal" for our clients. And it's up to us to prove it. Once we'd gotten the organization working well, we'd be ready for benchmarking. To do this, we planned to use the rates (unit costs) calculated by our investment-based budgeting (step two) to compare our costs with cloud computing, contractors, and vendor services.

- **Culture**: We'd already had a significant impact on our culture, improving customer focus, entrepreneurship, accountability for results, teamwork, and empowerment. But the spin-off benefits of our work on structure and internal economy are not the same as a comprehensive treatment of culture. So, at the right time, we will directly address our culture.

- **Methods and tools**: With the right internal economy, structure, and culture, we'll have in place the major components of an empowered, entrepreneurial organization. From then on, our entrepreneurs are expected to continually adopt whatever methods and tools they need to remain competitive.

- **Metrics and rewards**: Finally, we planned to build dashboards, and reward systems tied to performance. I do this late in the transformation process because I don't want to install metrics that reinforce our current paradigm. And I don't want people resisting change because it might cause them to miss their metrics.

These next steps I consider fine tuning. In the first two years of this strategy, we put in place a very different paradigm – a scalable organization built on principles of empowerment, entrepreneurship, customer focus and teamwork. This provided the solid foundation for years to come.

Preston Simons joined Aurora Health Care in 2015. As Chief Information Officer of this $5B healthcare delivery system (the largest employer in the state of Wisconsin), Preston led Aurora's efforts to use technology and innovative IT tools and services to help deliver person-focused, best-in-class integrated health care experiences. Preston also served as a member of Aurora's executive leadership team.

Prior to Aurora, Preston held the position of CIO at Abbott Laboratories, a Fortune-100 medical-device and life-sciences company. Preston was responsible for IT and cybersecurity globally, and a key executive in over seventeen mergers and acquisitions. He was a member of the Abbott-AbbVie business separation executive team. After the 2013 spin-off, Preston continued to serve AbbVie, positioning it as an external customer for his entrepreneurial shared-services organization.

Preston is a member of the Board of Governors of the University of St. Thomas, Opus College of Business. He has served previously as a board member and audit committee member at Mutual of Omaha of Colorado. He is also a member of the Healthcare Information and Management Systems Society, and has had a leading role in the Chicago CIO Institute.

Preston holds a Bachelor of Science degree in computer science, management systems and business administration from the Illinois Institute of Technology and an MBA from the Booth School of Business at the University of Chicago.

He resides in the Midwest.