

Leading Across the Network: A Key Challenge for the Health Care Leader of the Future

by Marshall Goldsmith

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In the foreseeable future a major trend that has been shaping health care leadership is likely to accelerate - the trend toward the increased importance of leading across a network of partners, as opposed to leading down in a hierarchical organization of subordinates. Health care leaders of the future will need to know why this trend is becoming so pronounced and (even more importantly) understand how their capabilities will need to change in order for their organizations to succeed in tomorrow's networked world.

Why Leading Across the Network Will Be a Key Challenge

A few key reasons (of the many that could be listed) why networked health care organizations will become more important in the future include:

The dramatically increased cost and complexity that suppliers will face in getting products and services to market – Almost all of the major organizations involved in the discovery and development of drugs are "scrambling" to build alliances and networks. These networks are being built through mergers, joint alliances and even deals with competitors. Major pharmaceutical firms are investing in university relationships and "start-up" companies at a record pace. All innovation requires a willingness to take risk and ultimately to face the possibility of failure. The cost of failure in tomorrow's world can be so great that "spreading the risk" becomes an increasingly prudent business strategy.

The issue of cost and complexity is not just true on the development side of the business; it is equally true on the distribution side. Global distribution will become increasingly important in tomorrow's health care market. Several leading companies are building partnerships with their former competitors to ensure that their products receive high-quality global distribution without incurring prohibitive costs.

As the cost and complexity of getting new products to market increases, the networked organizational form will begin to become the norm. Companies will be increasingly unwilling to "go it alone", and leaders will need to have the skills to build and manage alliances.

The increased formation of customer alliances at every level of the health care "value chain" - The ultimate consumer of health care products, the patients, are increasingly organized in large groups. The individual consumer as the sole maker of the health care decision is becoming the rarity, as opposed to the rule. Small businesses, which have been historically independent, are now forming cooperatives, which can give them the

same purchasing power as major organizations (the State of California even organizes small businesses for this purpose).

Medical doctors are forming alliances to reduce the cost of doing business and to negotiate (or even compete) with HMO's. Independent pharmacies, which were getting badly beaten on price by major chains, have joined together in purchasing cooperatives. Individual hospitals, which can not afford the cost of specialized equipment, are forming partnerships with other hospitals to spread the cost of new medical technology.

The increased importance of customer alliances will require tomorrow's health care leaders to have very different skills than the leaders of the past. The leaders will need to form many more "partner" relationships with customer groups and will need to be able to structure much more complex, multi-party, customer agreements.

The impact of new information technology – New information technology is producing the possibility of connecting formerly disparate entities into one network without incurring prohibitive cost. A recent extreme example of the importance of information technology involved a huge health care provider who had a severe information system problem. When the magnitude of the problem "came to light," the company's stock dropped by more than 50%, the CEO was asked to leave and the organization was purchased in a "turn-around" sale by another organization (who believed that they could fix the system). The degree of importance that information technology will have in the health care field could not have even been imagined 20 years ago.

In the future the ability to improve networking by using information technology will be a major competitive issue for many health care organizations. Leaders will not only have to have a knowledge of their health care field, they will need to be "technologically savvy" enough to successfully implement new information systems.

The demand for integrated solutions, not stand-alone products - Tomorrow's consumers in a variety of fields will be demanding integrated solutions, not stand-alone products. This trend can be observed in fields as diverse as telecommunications, banking, and travel and leisure. The health care world is definitely no exception. Sophisticated customers are increasingly asking for comprehensive agreements that meet complex needs not just simple products that fix simple problems. The "old days" of the "detail man" selling a product to an M.D. or Pharmacist are quickly being replaced by a future which involves a highly trained consultant calling on a team of customer representatives that consider many complex factors in making a purchasing agreement.

The need to provide integrated solutions frequently involves multiple organizations and may call for a completely different set of networking skills than the need to sell a product. The knowledge required for understanding complex customer needs (including financial needs) will be quite different than the knowledge required for understanding how to sell stand-alone products.

Increased pressure on cost and time – The health care industry was able to pass increased costs and inefficiency on to the consumer for years after this was no longer possible in most industries. Those days are gone and will not return. Tomorrow's health care organizations will either be incredibly competitive or they will disappear. Stocks in many health care companies in the US and Europe are selling at record levels. Shareholders have grown accustomed to high returns and are now expecting returns at the very high premium they have paid for the stocks. Under-performing companies will be bought with (or without) the consent of their Boards. Reengineering, restructuring and continuous improvement have become ongoing processes as opposed to one-time events.

The flexible networked organization will become a requirement as the time and cost of yesterday's bureaucracy becomes impossible to support. Leaders will need to be able to use flexible networks to get the job done quickly and efficiently. Leaders who can not adapt to these changing requirements will be replaced quickly and efficiently. New high-potential employees have very different expectations – The "knowledge worker" in the health care field of tomorrow will have a very different set of expectations from their leaders than the knowledge worker of the past. In the past even the high-potential employees were willing to "pay their dues" and "play the game". Today's high-potential employees have changed in many ways.

Very few expect (or even want) to work in one large corporation for their entire career. More than half of the students at Harvard Business School today want to be entrepreneurs. The new high potential employee wants to be given challenge, involvement and opportunity - not certainty, direction and security. High potential employees of the future will have to be treated more like partners than "subordinates". The ability to attract and retain these key knowledge workers will become a critical factor in the long-term success of the organization.

Key Capabilities for Tomorrow's Health Care Leaders

The successful health care leader of the future may well need to possess a much broader range of capabilities than the leader of the past. These new capabilities will include a greater breadth of knowledge, a greater depth of knowledge and a significant increase in required interpersonal skills. As has been discussed, leading in a complex, networked organization will be significantly more challenging than leading in a simpler, more hierarchical organization.

Some key capabilities needed by the health care leader of the future may include:

The Ability to Form Partnerships Inside the Organization – In a networked, global organization leaders will need the skills to effectively influence people without having direct line authority. Product managers may need to convince country (or regional) managers to commit to a strategic global plan that may benefit the entire corporation but may not be in the short-term best interests of the individual country.

Decisions involving the use of new technology will have to balance the organizations need for consistency with the unit's need for customization. People at all levels of the company may end up being involved in decisions that were formerly reserved for executives. Skills at developing "win-win" relationships across the organization will become more important than ever. Dictating what to do and how to do it may not get people committed, but it is simple. Involving people across the organization as partners is a much more complex process and may well require increased cultural sensitivity and a significant "upgrade" in skills.

The Ability to Form Alliances Outside the Organization - Even the largest organizations in the health care field realize that they will need to form strategic alliances in order to maintain a competitive advantage in tomorrow's marketplace. Forming a large-scale business alliance requires the ability to conduct an in-depth analysis of both companies strengths and weaknesses, a relatively deep understanding of finance and (perhaps most importantly) the interpersonal skills to negotiate a deal between executives who may have reasonably large egos. Many leaders in the health care field today may not have the business or negotiation skills necessarily to form large-scale alliances.

A New Approach to Competitors - Aside from a change in skills, future leaders may also need a change in orientation. The historic health care executive has largely been focused on "winning" for his/her organization. The leader of the future may have to exhibit a great deal more subtlety and long-term sensitivity toward competitors. When today's competitors are tomorrow's business partners or customers, the entire rules of business change. The concept of trying "to destroy the competition" may become dysfunctional. Leaders will need to ensure that the organization has a reputation for fairness and integrity and that competitors will regard it as a good potential partner.

A Deep Understanding of Customers at Every Level of the "Value Chain"- The health care organization of the future will often have to learn to deal with a variety of "customers" who may well have competing agendas. Government agencies and HMOs may be pushing for decreased costs, Medical doctors may be asking for more autonomy, patients may be pressing for more flexibility, and investors will be demanding a greater return on investment. The effective leader will be able to balance the costs and benefits that will be shared by all of the member groups in the network.

This will be far from easy. The leader will not only be required to understand the health care issues at every level of customer in the "value chain"; the leader will also need to understand the business issues. Understanding of the network member's financial needs and resources was much less critical in the past than it will be in the future. Many leaders in the past have not been trained to deal with the complexity or the pressure that that may face in the future.

The Technological Savvy Needed to Produce a Competitive Advantage - It is unrealistic to expect the leader of the future to be an expert in all of the health care and information technology that will impact her/his organization. The rapid pace of technological change will make that level of technical knowledge almost impossible to achieve. On the other

hand, the image of the leader who does not know how to use e-mail and says, "I don't understand that stuff" when answering technology questions is a thing of the past. Leaders will have to understand the impact of technology and speak the language of technology. They will have to have the savvy required to see how new developments in technology will impact their organization's future. Technological savvy will require not only new skills for leaders; it will require the continuous upgrading of skills.

The Ability to Hire and Retain Knowledge Workers – As Peter Drucker has noted, the ability to successfully manage knowledge workers will be a key variable that differentiates the most successful organizations of the future from their competitors. This factor will be especially important in the health care field. As knowledge workers have become more important to keep, they have also become much more difficult to keep. Health care leaders of the future will have to make hiring, developing and keeping great people one of their top priorities.

Ralph Larsen, the CEO of Johnson & Johnson, has noted that the development of capable leaders (at all levels of the organization) is one of his greatest challenges for achieving the long-term growth that he knows J&J can achieve. The skills needed to retain tomorrow's "new age", highly mobile, knowledge worker will be very different than the skills required to retain yesterday's more stable knowledge worker. Leaders who develop the capability to make this transition may produce a huge long-term advantage for their corporations.

Leading the health care organization of the future will be a much more complex and difficult task than leading the health care organization of the past. Tomorrow's leaders will need to learn to thrive in a new networked world. The networked organization will follow different rules and require different capabilities than the more traditional, hierarchical organization of the past. Leaders of the future will not only have to develop new capabilities; they will have to continue to develop their skills throughout their careers.

The pace of change is not going to slow down. Leaders who can not adapt to the new world of health care management will be quickly replaced. Leaders who can adapt to the new networked structure and develop new capabilities will thrive.

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