leading innovation in a risk-averse healthcare environment

The role of the healthcare CFO is changing.

The days of managing solely by the numbers are over. Increasingly, healthcare CEOs are looking to their organizations' CFOs to help determine how the organization can do things better and faster. More and more, the CFOs are expected to bring innovative ideas to the table, to act as change agents, and to help lead the charge to make improvements that lead to improved patient satisfaction. Healthcare CFOs are being asked not only for ideas on how to improve margins, but also to lead the hospital or health system through the process of carrying out these initiatives.

Unfortunately, moving in this direction usually goes against the CFO's risk-averse nature. By definition, a CFO seeks to minimize the possibility of failure and work to protect the organization's bottom line. But innovation can come only from stepping out on a limb and trying new things, which is antithetical to the risk-averse professional.

CFOs need to move out of their comfort zone and embrace innovation and change. Indeed, in this era of technological advancements and creative management strategies, healthcare leaders who do not embrace change expose their organizations to potential failure. Today, an emphasis on innovation is critical to efforts to fuel growth, maintain market share, and improve patient satisfaction and clinical quality, efficiency, and delivery.

The successful implementation of advances rests on the willingness and ability of the workforce to accept those innovations. There are many barriers to that willingness—some structural to the organization and others specific to the individual being asked to embrace something new and different. It is up to healthcare leaders, especially CFOs, to create an environment that promotes the adoption of new, innovative strategies.

But embarking on the path to innovation is not easy. Usually, CFOs are financial types whose success is grounded in operational excellence. This focus also is true for organizations. The problem is that operational excellence rewards risk aversion. When the focus is solely on operational excellence, risks are taken only if their outcomes and probabilities can be carefully calculated. Innovation, on the other hand, requires executives to try new and different things without knowing exactly what is going to happen. Operational thinking is rational, logical, and measured. Innovative thinking is sometimes not obviously rational, is almost always intuitive, and requires the organization to take risks. Without risk taking, innovative ideas get stuck and eventually fail.

Although an intense concentration on operations is critical, an individual or organization that excels in operational excellence can be quite different from one that excels in innovation. How do you balance this dichotomy? How do you help your organization feel comfortable embracing both of these important ingredients to success?
Go First, Then Lead by Teaching

Going first means being the first to set foot into the water, to take that leap into the unknown. As a leader, you need to show your staff that it is all right to take a risk. But to do so, you need to manage your own psychological reaction to innovation. Innovation is uncertain and feels risky. Humans are programmed to avoid uncertainty, and leaders are no exception. After all, the new idea just might fail. If an innovation creates a significant enough amount of change, you can literally fear the change. To keep uncertainty and fear from stifling innovation, you should become more self-aware. In other words, learn to recognize—and resist—when fear tempts you to shift to a self-protective mode and revert back to the old way of doing things. Going first is critical, as leadership by example is key to inspiring your workforce.

The question is: How can you maintain the advantages of operational excellence without stifling the creation and implementation of innovative ideas? As a leader, the CFO has to be able to teach others how to accomplish this goal. Invite your workforce to think out of the box, to feel comfortable trying new techniques and strategies. Recognize that they might feel awkward with these new skills, and be patient as they adapt to this new environment. Again, model this behavior yourself. If staff see their senior leaders working to adopt and implement new ideas, it creates an environment that is willing to take chances and embrace the future.

Shift Thinking from “Either/Or” to “Both/And”

One of the most powerful leadership behaviors is effectively managing the polarity of these seemingly opposite concepts—operational excellence for today and innovation for tomorrow. In many organizations, these concepts are managed as competing priorities with winners and losers. The result is often that sides are chosen, turf battles rage, communications break down, and the organization spends more time competing against itself than against its competitors. It is like watching a scorpion sting itself to death.

But by simply reframing the seemingly opposing concepts with a both/and statement (How can we take advantage of both our operational efficiency and become more innovative in the way we address the needs and desires of our customers?), the discussion suddenly becomes open and creative because the stakeholders are no longer locked into their own particular views. The unsaid sticking points that were getting in the way of progress now have a name. We have witnessed time and again how this seemingly simple shift in thinking can noticeably increase the velocity of decision making and move the business ahead with greater intent.

There are many creative, innovative ways to meet operational excellence goals such as efficiency, safety, positive clinical outcomes, and patient satisfaction. The key is to think outside the box for ways to meet these objectives. For example, implementing a computerized provider order entry system can drastically reduce the potential for medication errors—meeting the objectives of operational efficiency and working to improve patient care. It involves being willing to work in different ways to achieve goals.

CFOs need to be willing to take risks to move the organization to a new level of excellence. As leaders, they have to teach others how to look at problems and opportunities differently because the ability to innovate does not necessarily come naturally to all personnel, especially those in the area of finances. And CFOs need to be able to encourage the rest of the workforce to feel comfortable with innovation and change.

Prepare to Lead Through Disruption

Innovation requires that organizations let go of old work and take on new. These transitions are disruptive and create more than the normal amount of breakdowns. Breakdowns happen when people did not do something that you thought they should do or when something "should not" be the way it is. Discussing these conflicts feels risky—and it is during these breakdowns where leadership is the hardest and the most needed. Leaders can lead through the
disruption, turning breakdowns into breakthroughs when they accept and encourage divergent points of view instead of resisting opinions that are different from their own. Resisting actually can create more resistance.

When you see a breakdown, don’t immediately add to it by developing an immediate, kneejerk reaction as that only creates more defensiveness and the matter gets worse. Instead, start the conversation by accepting that person’s concern as your own and, just for a few moments, make that concern your own. Become genuinely interested in his or her point of view and hold your view of the situation as only your opinion and not the truth. Try this a few times, and you’ll see how these once tough discussions can be used to create more innovative thinking and movement toward your vision.

Although there are numerous models and approaches to generating innovative concepts and strategies, nothing meaningful can happen until CPOs change the way they lead: how they lead the organization to serve both operational excellence and create innovative new products and services, how they lead the organization through the normal breakdowns that occur during the trials and errors that come with innovation, and how they must manage their own psychology and thinking to manage the fear and uncertainty that innovation brings.

Today, healthcare CEOs expect their CPOs to stand by their side and help lead the organization through innovative changes. Are you ready for that challenge?

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