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Featured article

Re-engineering changes to the healthcare industry

Kristina L. Guo



Guru interview

An interview with Debbie K. Crosby

Interview by Debbie Read

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Welcome to Management Focus

... and welcome to the July/August issue.

Debbie K. Crosby is the Chief Quality Officer for the H. J. Heinz Co. In this role she is responsible for global strategic direction of quality and food safety systems; scientific policies and issue management; and global food safety regulation.

In this exclusive interview with Debbie Crosby, find out about the Heinz Innovation and Quality Center, and the Heinz global quality program. Ms Crosby gives her opinion of the high failure rate of TQM processes and also compares the leadership style of current CEO William R. Johnson with that of former CEO Anthony O'Reilly.

Complexities in the US healthcare system cannot be easily resolved by incremental efforts made to alter delivery. In fact, such minimal changes have led to the demise of hospitals and other healthcare facilities. Instead, more dramatic changes are needed for organizational success.

The solution lies in the use of the re-engineering concept coupled with a greater emphasis on the critical players of the organization to lead the transformational process. Read our article on *re-engineering changes to the healthcare industry* to find out more.

Due to popular demand, our in-house web expert is back to answer your questions on licensing issues and the problems they're causing in our popular *Management Matters* section.

If all this has left you wanting more – visit www.managementfirst.com, where, as an Emerald subscriber, you can access over 300 articles, 180 interviews and much more besides.

Best wishes

Debbie Read and Alistair Craven
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Re-engineering changes to the healthcare industry

The US healthcare system is undergoing turbulent changes in its financing and delivery mechanisms as it seeks to improve quality, increase access and contain cost. The evolving system utilizes managed care to drive down costs and the formation of alliances to lessen competition.

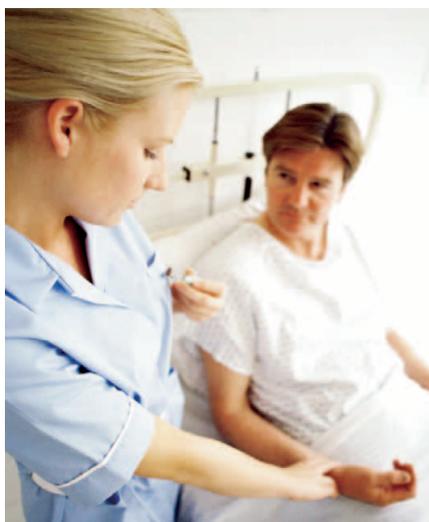
However, complexities in the system cannot be easily resolved by incremental efforts made to alter delivery. In fact, such minimal changes have led to the demise of hospitals and other healthcare facilities. To improve their market shares, organizations have engaged in integration and consolidation aimed at achieving economics of scale. Even these strategies have not placed them in better positions. Instead, more dramatic changes are needed for organizational success.

The solution lies in the use of the re-engineering concept coupled with a greater emphasis on the critical players of the organization to lead the transformational process. The most essential organizational component for effecting change is leadership. Healthcare leaders are responsible for making crucial decisions under intense pressure to cut costs and maintain quality. They must know what to do, when and how to make changes. To bring about successful changes within the organization, leaders must drive the change process.

Re-engineering and healthcare

Re-engineering began in the business industry and was defined by Michael Hammer and James Champy as “the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed”.

There are several reasons that re-engineering has failed to work for healthcare organizations. The primary cause is lack of leadership in dealing with work processes, performance measurement and skills requirements. In other words, without fully understanding what the re-engineering process really entails, demise is the ultimate result.



However, re-engineering can work in healthcare if it focuses on the methodologies about work, organizational purpose and performance. Strategies must understand the evolution of the industry and the effects of managed care. Furthermore, re-engineering cannot be viewed as a solution, or even an answer for all the problems in the system. Re-engineering represents the recognition of problems and outlines methodologies for resolving them.

An integrated step-by-step leadership process of re-engineering

Re-engineering occurs in a series of four steps, which can feed back into the first step, if necessary, with leaders conducting activities to aid that effort on a daily basis. Most importantly, leaders must initiate the re-engineering process and monitor its progress throughout. They must dedicate their energy, time, thinking, patience, hard work and commitment to achieve the desired results. Specifically, the leader's roles consist of the four Es: Examination, Establishment, Execution and Evaluation.

Examination

The thorough examination process begins from the inside out, but could be outside in. Leaders who are responsible for determining the most appropriate time to re-engineer conduct the process of internal and external examination. Leaders must be able to answer questions such as: What are the changes? Why must changes be made? Who is to make them? How are changes to be made? When should the changes take place? Categorically listing these questions and finding answers is part of the examination process:

- timing for the re-engineering process;
- market challenges and opportunities;
- organizational strengths and weaknesses;
- purpose of the organization;
- future direction of the organization; and
- outcomes of the organization.



Establishment

A long-term plan is established to determine the direction of the organization as it deals with the complexities in the environment. This strategic plan is especially crucial to healthcare organizations and should illustrate precise instructions of all necessary activities. Whether to target all current processes or select only a few processes at a time, the decision is made based on the answers found in the examination step.

Establishing a plan should emphasize quality, customer satisfaction, cost effectiveness and improved work environment for employees. In addition to incorporating these aspects, establishing organizational value is also important to the process, so that every activity that does not add value to the organization is deleted and thus re-engineered:

- realistic goals, timeline and budget;
- focus on quality, cost effectiveness and customer satisfaction; and
- organizational culture and values.

Execution

Execution is hard work and requires the evolution of organizational culture and tested leadership capability. Here, teams are important and have significant responsibilities in communicating the process and co-ordinating all work effort. Furthermore, essential to maintaining harmonious and productive teams is the ability of organizational leaders to utilize their interpersonal skills to energize all

employees within the organization. Consequently, leadership strengths combined with stable staff will result in progress. Execution of the plan to re-engineer the healthcare organization encompasses leadership functions to educate, train, and motivate staff to bring the plan to fruition:

- allocate resources (financial, human, capital);
- redefine roles and responsibilities;
- manage conflict;
- educate, train managers and staff; and
- communicate and co-ordinate work efforts.

Evaluation

Evaluation is vital to the re-engineering process in two ways. First, it allows the organization to determine whether it has achieved the outcomes established in the original plan of action. Second, the result of multiple outcomes may be negative in nature. For instance, only concentrating on reducing cost may compromise employees' satisfaction. To ensure that only desired outcomes are produced, the key lies in appropriate leadership skills to effect change.

The evaluation step finalizes the first phase of the re-engineering process. However, re-engineering is not an end. Evaluation must continuously take place to encourage feedback of all adjustments made to the organization. In this way, if evaluation determines changes need to be made then

the four Es process start all over again, with organizational leaders initiating a new cycle, beginning with a re-examination of the organization and environment.

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Successful re-engineering

In order for re-engineering to be successful and to effect meaningful changes in the organization, organizational leaders are a crucial component for they are responsible in bringing innovation and change to enhance their organizations. The four Es process is an integrated model describing leadership functions in each step of the changes made through the utilization of the re-engineering method. Leaders must utilize their skills and perform activities directed by the four Es process to result in performance improvements and productivity. Inadequate, ineffective, unskilled and incompetent leaders will result in the demise of re-engineering. Likewise, without the specific steps illustrated by the four Es, the re-engineering process will inevitably fail.

The key to success lies in leaders who immerse themselves in the re-engineering effort and communicate that energy throughout the organization.

This is a shortened version of "Leadership processes for re-engineering changes to the healthcare industry" which originally appeared in *Journal of Health Organization and Management*, Volume 18 Number 6 2004 pp. 435-446.

Kristina L. Guo, Associate Professor, Health Care Administration Program, Department of Public Administration, University of Hawaii-West Oahu.

An interview with Debbie K. Crosby

Interview by Debbie Read



Ms Debbie K. Crosby is the Chief Quality Officer for the H. J. Heinz Co. In this role she is responsible for global strategic direction of quality and food safety systems; scientific policies and issue management; and global food safety regulation.

Prior to this assignment she was the Director of Quality Assurance & Scientific Affairs at Heinz World Headquarters. In 2002-2003 she also served as Interim Technical Director for Heinz Europe and the acting head of Quality Assurance for Heinz North America – Consumer Products Company in 2003-2004.

Before moving to world headquarters in 1998, she held various roles at the Heinz Frozen Foods (Ore-Ida) affiliate in Quality Assurance for 20 years. At Ore-Ida her chief responsibilities covered food safety, sanitation, HACCP system development and quality audits.

Q: You recently attended the official opening of the Heinz Innovation and Quality Center. Can you tell us a bit more about the Center and what Heinz hopes to achieve from such a venture, both from a consumer and corporate point of view?

A: The Heinz Innovation and Quality Center is a global centre of excellence for ketchup, condiments and sauces and is a centralized knowledge base for our North American quality activities and NPD. We have a strong and talented technical team based there and true state-of-the-art laboratories. Plus, we also have there facilities for sensory evaluation, focus groups and a pilot plant capable of supporting product and process development in ketchup, sauces, frozen and chilled foods. It is an impressive operation!

Q: What more can you tell us about the Heinz global quality programme?

A: Heinz has a long history of quality that dates back to our founder putting horseradish in a clear jar so that consumers could see that it had not been adulterated. Over the years, quality has continued to evolve within Heinz to the model we are using today of Quality Assurance Risk Assessment. Our systems process is built on standard quality principles such as ISO9001 and Six Sigma, with a healthy dose of food safety through the addition of HACCP (Hazard Analysis Critical Control Point) process. On paper it is a bit daunting, covering 18 system control elements (such as strategic plans, risk assessment, training, etc) and 25 operational control elements (such as water quality, good manufacturing practices, foreign material control). Each global business unit site is measured against these elements and develops a risk matrix that allows them to plan improvement activities targeted at the highest risk areas. The process recognizes that some locations are at very different stages of quality evolution and allows them to find best practices and learn from one another. It is the same basic system no matter where in the world a plant is located – what’s more, it builds on strengths within Heinz and allows for differences in regulations between product types and regions.

General issues and concerns are discussed at Global Quality Assurance Council meetings, which I chair. Our meetings occur every 4-6 weeks and are held via conference call. We have representatives from all

regions and all major business units.

Annually we meet at a Global Quality Conference, where we also interact closely with our chief business partners in the Global Supply Chain, Continuous Improvement Teams, Regulatory Affairs Groups and Communications Teams. On a monthly basis, our regional QA teams work with regional representatives to manage real-time opportunities and issues.

Q: It has been estimated that up to 60 per cent of TQM processes fail. Why do you think there is such a high failure rate?

A: It may have been due to poor execution of TQM. In many cases, TQM was targeted broadly at the entire organization, every person, every department, everyone. That broad sweep did not allow for practices to become embedded within the organization. It became a “flavour of the day” programme rather than a transformative process. I believe it would have been better to have started smaller and gain local support through successes that addressed real problems in the language of that part of the business. This is how we are achieving a real foothold with Six Sigma. We started in a single business unit. It is growing as a “grass roots” effort. There is upper management support and commitment, but Six Sigma will not be driven across large segments of even this business until the process shows success. Projects are practical and pragmatic. Six Sigma is solving real issues once and for all.

Q: William R. Johnson took the helm as President in 1996, CEO in 1998 and Chairman in 2000. How would you say his leadership style differs from that of former CEO Anthony J F. O’Reilly?

A: Both Tony O’Reilly and Bill Johnson are strong leaders with clear visions and great communication skills. Bill’s approach is much like that of a coach, always urging his team to win. He’s a very strong supporter of our quality programmes and insistent upon high performance.

Q: On a much lighter note, what is your favourite Heinz product?

A: Tomato ketchup, of course! It really goes great on Ore-Ida potatoes, too!

To read the full, exclusive interview with Debbie Crosby, log on to www.managementfirst.com and click on the “Quality” community.

Management Matters

Welcome to our Q&A section – *Management Matters*, where you can find actionable advice on current management topics. In this issue our in-house web expert answers your question regarding the true value of website users.

Q ■ Is the end of the proprietary EULA nigh?

It's a common game on the Web to apply the typical End User License Agreement (EULA) to everyday items. There's a good one for dogs, but I'd get fired if I copied it here, so the car will have to do. Would you buy a car if:

- opening one of its doors was legally binding;
- its bonnet was welded shut;
- it carried no warranty or fitness for purpose clause, and disclaimed any liability for the car breaking down or blowing up;
- you were forbidden to sell it, ever;
- when you bought new tyres you had to accept a new licence to continue driving (which you may have to pay for);
- you could not publish car comparisons or reviews without the manufacturer's express approval;

- it could be immobilized remotely if the manufacturer felt you were not obeying the licence.

Currently there are two groups doing battle over the EULA. The first, citing piracy, is trying to put forward harsher licensing policies backed up by schemes such as remote software disabling for infringements, and legal manoeuvres (such as the controversial DMCA and UCITA bills in the USA).

In opposition, there are the Free Software (FS) and Open Source (OS) movements whose liberal licences allow users access to source code and to copy and redistribute as required. Although often available at no cost, these resources do not necessarily have to be "free" – it's "free as in speech, not as in beer" as Richard Stallman is famously quoted as saying. Stallman, founding father of FS, is one of those fascinating, scarily smart people who seem to inhabit the FS world (and who often have bizarrely

unrelated hobbies – "Rodney is a virtuoso nose flautist, restores medieval armour, and grinds his own spectacle lenses").

Although often grouped together, there is a fundamental difference between the groups: FS has a philosophical and ethical basis, where OS proponents see it as the best, most practical software production method. What they have in common is how they operate is more in keeping with the way the world actually works.

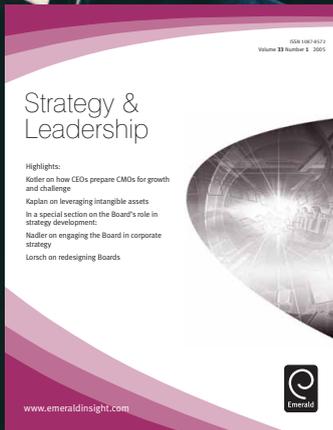
Given the benefits of OS, there are more interesting questions than whether businesses should be evaluating it alongside proprietary software.

Governments and public bodies have more to consider than the usual business yardsticks of suitability and cost. Why should government published information – owned and bought by taxpayers – be made available in a proprietary format which requires those same taxpayers to buy a particular company's product in order to make use of it? Can a government afford to standardize on a foreign software company's products without being able to see what is occurring at the code level? Will archival material still be valid in fifty, a hundred years? Many countries – including France and Argentina – have proposed bills mandating the use of OS within their governments.

Considering the expansion of OS style methods in other areas of business (as with the Creative Commons licence), the most interesting question becomes: is providing OS material a viable business model?

Graham Dallas, our Senior Web Developer, has over ten years of experience in all aspects of web design and development. If you would like to send him a question, write an e-mail to Web Content Manager Debbie Read at dread@managementfirst.com and the best submissions will be featured in a future issue of *Management Focus*. We hope to return to this topic in a future issue.

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Final thought ...

“The world is changing very fast. Big will not beat small anymore. It will be the fast beating the slow.”

Rupert Murdoch

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