After Restructuring

Empowerment Strategies at Work in America's Hospitals

THOMAS G. RUNDALL
DAVID B. STARKWEATHER
BARBARA R. NORRISH

After Restructuring

Empowerment Strategies at Work in America's Hospitals

Thomas G. Rundall

David B. Starkweather

Barbara R. Norrish

After Restructuring

This book is dedicated to
Georgiena, Jane, Owen, Faye, Brad, Terry, and GG,
who through their love and friendship
keep us empowered and bounded.

Preface

For the first time since the 1930s, hospitals in the United States are confronted with the choice of making fundamental change in the way they function or risk the possibility of closure. The economic pressures and the professional and public concerns about hospital performance that created this situation have been building for the past two decades. Most recently, the growth of managed health care in communities across the United States has had, and continues to have, a profound impact on the hospital industry. Managed care organizations negotiate access to health care providers for large numbers of "covered lives" and strive to control both the utilization and cost of hospital services. Moreover, many managed care organizations use other measures of hospital performance to contract selectively with hospitals that demonstrate the ability to ensure that the plan's enrollees have timely access to high-quality care that is provided in ways that meet the patients' expectations.

The big idea of managed care—controlling costs without decreasing the quality of the care provided—is a sea change in the way hospital managers, physicians, nurses, and others think about medical care. For many years hospital reimbursement was based on the unregulated charges hospitals levied. Even with the introduction of Medicare's Prospective Reimbursement System in 1983, negotiated price discounts, per diem reimbursement, and other attempts to slow the growth in hospital expenditures, the cost of hospital care continued to rise, and the conventional wisdom was that improving quality of care required greater expenditure of money. Now, however, with managed care plans and employers demanding reductions in costs and increasingly relying on measures of service, quality, and cost to make health care purchasing decisions, a hospital's continued viability depends on successfully "squaring the circle" by improving quality while reducing costs.

Hospitals that cannot compete successfully for contracts to provide services to populations covered by managed care plans are unlikely to survive the market-driven reform of the hospital industry. Indeed, many have not.

The need to meet purchaser and consumer expectations is putting pressure on hospitals to restructure, that is, to fundamentally redefine their core processes. Eliminating or replacing redundant or inefficient services may not be an adequate response. Rather, hospital leaders are being urged to engage in more radical organizational changes to maintain or grow market share. In the race to win acceptance in the health care marketplace, hospitals are shutting down or converting underused patient care units, eliminating many middle managers, and further reducing payroll expenses by using more nonprofessionals to perform tasks that were previously performed by registered nurses and other professionals. At the same time that these stressful structural and personnel changes are being made, many hospitals are trying to change patient care processes through the introduction of patient care pathways, team care, reengineering, and expanding the array of care services provided to patients to create a patient-centered, seamless continuum of care.

A recent survey found that during the first five years of the 1990s, over 60 percent of U.S. hospitals ("Remaking the Rules," 1994) were attempting to restructure health care by implementing the types of changes just described. Presumably it is only a matter of time before market forces push the remaining 40 percent into making these types of fundamental changes. Still, little systematic information is available about the specific changes hospitals are making or about the process of successfully managing change in these institutions. Though numerous studies have attempted to determine the factors that distinguish hospitals that have closed from those that remain open or hospitals that are under financial stress from those that are thriving, virtually no in-depth studies have been done on the changes hospitals make to maintain viability under changing market circumstances or the process that is required to make those changes. We have been uninformed about the best practices for making organizational change in hospitals. This book begins to fill that void.

Purpose of This Book

This book describes and analyzes the changes made in nine of twenty hospitals that were funded by the Robert Wood Johnson Foundation and the Pew Charitable Trusts to improve patient care through organizational innovation and transformation. Although the initial focus of this national program was on strengthening hospital nursing, its larger purpose was to improve patient experiences and outcomes in hospitals, and the name of the program, Strengthening Hospital Nursing: A Program to Improve Patient Care (SHN), reflects these two related concerns.

The experiences of these hospitals provided a unique opportunity not only to understand the specific changes made by hospitals as they adapted to environmental pressures but also to identify the stages in the process of change and the management principles for successfully moving through the stages of change. The principles derived from the change experiences of these nine hospitals provide important best-practice guidelines for similar hospitals undertaking fundamental changes.

Not surprisingly, the research trail led us to examine the use of empowerment strategies as means of achieving organizational change. Virtually all of the hospitals studied used some form of empowerment of employees to implement changes that would improve hospital performance. A major blind spot in the management literature on empowerment is the putative rationale linking empowerment to improving organizational effectiveness. In the few discussions that address this issue, the characteristic that drives individuals to use their empowered circumstances to improve organizational performance is the employees' need to demonstrate their self-efficacy—their ability to perform well and achieve goals. This notion is similar to Maslow's hypothesized need for self-actualization—the need to realize one's potential for continued growth and individual development. Though we agree that many individuals may indeed be motivated by this characteristic, not all individuals can be assumed to have high levels of self-efficacy. Most of us are aware of individuals who have taken advantage of being empowered to work less, pursue personal interests, or become less productive when they are working. There must be another way to

focus the work of empowered staff on improving hospital performance. Our research strongly suggests there is: the *bounding of empowerment*—the process of focusing the work of empowered employees on improving organizational performance.

Finally, this book is distinctive because it presents qualitative data on the impact of the organizational changes implemented by the SHN study sites on nursing, patient care, and the culture of the hospital. The impacts were clearly beneficial for some period of time in all cases. However, the hospitals varied a great deal in the amount of improvement observed in hospital performance and in the ability of the hospital to sustain that improvement. We have examined the reasons for these outcome variations.

This book, then, is a presentation and interpretation of the restructuring experiences of these hospitals. It is also a step toward answering the question, "Can hospitals fundamentally change their structure and processes, and if so, what are the principles of successful change that hospitals should follow?" We use the stories of the hospitals and of the hospital staff members who worked earnestly, and at times heroically, to restructure their organizations as the starting point for our inquiry. The analyses of these experiences incorporated concepts from the applied and theoretical literature on organizational change to help us understand these experiences and to enable us to discern what was common about them across the nine hospitals.

Overview of the Content

Successful organizational change to improve hospital performance is an important theme of *After Restructuring,* and the book presents a framework for understanding change and principles to guide change facilitators through the process of change. Principles of change to help organizations progress through each stage of change are identified, and specific examples from the cases are used to illustrate each principle. The book also uses case material to assess the impact of the restructuring stimulated by the SHN program on nursing, patient care, and each hospital's culture. In addition, the book identifies the bounding of empowerment as a fundamental process that maintains the focus of the work of em-

powered staff members on activities that improve organizational performance. The book links qualitative research, case study methodology, and organizational theory to develop practical approaches to successfully changing hospitals to improve patient care.

Chapter One reviews the environmental forces pressuring hospitals to change and, in particular, the resulting pressure that is being brought to bear on nursing and patient care. In this chapter, many of the concepts used throughout the remainder of the book, such as patient-centered care, are introduced and discussed.

Chapter Two describes the Strengthening Hospital Nursing program, providing the context for our study. The nine study hospitals are identified, and the rationale for selecting these nine from the larger group of hospitals funded by the foundations is explained.

Chapter Three presents the conceptual framework for understanding empowerment in its organizational context and introduces a new concept, the bounding of empowerment, that is crucial to the achievement of organizational change when an empowering management strategy is being used. The experiences and observations of individuals involved in change at the SHN hospital sites are used to document the keys to empowerment and to bounding empowerment that are identified in the chapter.

Chapter Four presents the overall conceptual framework we used for understanding and studying change in organizations. The framework suggests that there are two broad types of change—innovation and transformation. Four types of innovation are identified: patient care process changes, service changes, administrative changes, and human resource changes. (For simplicity, we use the terms *change* and *innovation* interchangeably.) Further, the framework suggests that organizational change proceeds in a dynamic, nonlinear way through five stages: readiness to change, awareness of the need to change, identification and selection of changes, implementation, and institutionalization of changes. The methods used to study organizational change in the SHN hospitals are also presented in this chapter. Particular attention is paid to the methodology for preparing case studies of each of the nine hospitals.

Chapter Five presents the changes actually implemented by the study hospitals, organized by the four types of changes identified in Chapter Four. The presentation comments on the relative ease or

difficulty with which these changes were made and identifies some of the obstacles to change that appeared in the study hospitals.

Chapter Six identifies the principles of successful change that were revealed by the cross-case analysis of the changes implemented in the study hospitals. The principles are the important actions taken or decisions made that enabled the hospitals to progress smoothly through each of the five stages in the change process. Specific examples from the cases accompany each principle to illustrate its use in a particular setting.

Chapter Seven presents material from the cases that document the perceived effects of the changes initiated by the SHN program on nursing and patient care. Particular attention is given to the effects on the changes made in the professional roles of the nurses in the study hospitals and to the changes in the patient care process that were implemented. Personal reports and accounts of the impact of these hospital changes on nursing and patient care are used to document the effects of the changes.

Chapter Eight examines the impact of the hospital changes on hospital culture—the values and beliefs that are shared by members of an organization and passed on to new members. Attention is paid to the notion of competing organizational cultures and the subsequent dissonance among organizational members. Four types of organizational culture are introduced: group, development, hierarchical, and rational culture. The chapter describes one common type of cultural transformation that was attempted by a number of the study hospitals, a change from a hierarchical to a group culture. Finally, the chapter identifies strategies used by hospital staff members to attempt to transform their hospital's culture.

Chapters Nine through Seventeen present the case studies of the nine study hospitals. Reading the cases will enrich the reader's understanding of restructuring patient care. Although the similarities in the restructuring experiences at each site enabled us to report patterns that appear to be generalizable, much more can be learned from in-depth examination of the process of restructuring at each of the different types of hospitals in our study sample. Changing hospital structures and the processes of patient care are complex tasks. Each institution will have its own unique barriers, facilitating factors, and dynamics among the persons involved

in the changes. These unique characteristics at each hospital are important to understanding why the particular changes at that site were made, as well as why certain change processes were effective in that setting. Hence the cases provide the context of change and a fine-grained understanding of how the principles that we identify in Chapters Five through Eight were applied in these varying contexts. Each case is introduced with a brief synopsis of the distinguishing characteristics of the case and of what the reader should watch for.

Audiences for the Book

There are four major audiences for this book: hospital managers and clinical staff; organizational development professionals; health services researchers; and health professions school faculty and students.

For health care managers and clinical staff, the book provides practical suggestions and examples of (1) how to change hospital structures and patient care processes to improve patient care and (2) how to change nursing models, staffing patterns, and governance structures to create more effective working environments for nurses. Chapter One will provide important background and historical perspective for this audience, and Chapters Four through Eight will be especially relevant, as they highlight the changes that were made in the hospitals, the principles of successful change, and the impact of the changes on nursing, patient care, and hospital culture.

Organizational development specialists will gain a detailed understanding of the process of organizational change in hospitals and of the principles of successful change. They will be particularly interested in Chapters Three and Four, which present the important information about bounding empowerment and key concepts for studying change in organizations.

Our health services researcher colleagues will find important concepts for the study of organizational change in Chapter Four, and the case study and cross-case analysis approaches to research on change in hospitals are demonstrated throughout Chapters Five through Seventeen. Moreover, the findings presented in this book provide a conceptual and empirical base for further work.

Finally, the book will be useful as a supplementary text in courses on health care organizational design, strategic planning, and leadership. In particular, the case studies presented in Chapters Nine through Seventeen provide excellent bases for discussion in such courses.

We acknowledge that we have studied only nine hospitals—indeed, nine hospitals that were selected through an elaborate process to receive special funding to implement change. Although the nine hospitals we report on here were selected to maximize variation on several characteristics such as size, urban-rural location, teaching status, region of the country, and ownership, we recognize that they will differ from many other hospitals in the extent to which the hospital's leadership encouraged and supported change, the motivation of staff to persist in their change efforts over a period of five years, and in other ways. Still, we believe that the same environmental forces are emerging throughout the country and that the same underlying barriers and facilitators of change are at work in most hospitals throughout the United States. There is much these hospitals could learn from our efforts to understand the changes implemented in the SHN study hospitals and the central role played by the bounding of empowerment in the success of those change projects.

Acknowledgments

Our book has been improved by the outstanding work of the Jossey-Bass editorial staff, led by Andy Pasternack and Adrienne Chieng, and from the suggestions made by external reviewers.

We are also deeply appreciative of the financial support provided by the Robert Wood Johnson Foundation and the Pew Charitable Trusts, which enabled us to undertake an unusually time-consuming multisite study over a period of three years.

We also appreciate the technical assistance of Marilyn Lorenzo, Becky McGovern, and Susan Fargo Gilchrist.

August 1998   THOMAS G. RUNDALL
                                                      Berkeley, California

                                                      DAVID B. STARKWEATHER
                                                      Orinda, California

                                                      BARBARA R. NORRISH
                                                      El Cerrito, California

The Authors

Thomas G. Rundall, Ph.D., is professor of health policy and management in the School of Public Health at the University of California, Berkeley. He is the director of the graduate program in health services management and the founding director of the Center for Health Management Studies.

Rundall received his Ph.D. in sociology from Stanford University. He taught for four years in the Sloan Program in Health Services Administration at Cornell University before joining the faculty at the University of California, Berkeley.

Rundall is a nationally recognized scholar in health services research. He has been awarded a Robert Wood Johnson Foundation Health Policy Fellowship, and he is an elected fellow of the Association for Health Services Research. From 1987 to 1994, Rundall served as editor of *Medical Care Review,* a leading journal in the field of health services research.

David B. Starkweather, Dr.P.H., is professor emeritus of health services management in the School of Public Health at the University of California, Berkeley. In 1995, he received the Berkeley Citation, the highest award granted a university professor for teaching, research, and professional contributions.

Starkweather's long-standing interest in patient-centered hospital reorganization stems from an article he wrote, based on his Dr.P.H. dissertation, "The Rationale for the Decentralization of Large Hospitals," completed at UCLA.

For eight years, Starkweather was in the administration of the Stanford University Hospital, eventually serving as hospital director. He joined the faculty at the University of California, Berkeley, in 1968. In the ensuing years, he founded the Graduate Program in

Health Services Management, the first joint M.B.A./M.P.H. curriculum in the country. He served as chairman of the Accrediting Commission for Education in Health Services Administration, and for twelve years, he was a hospital trustee and director of a multihospital system in northern California.

Barbara Norrish, Ph.D., R.N., is a graduate of the doctoral program in health services and policy analysis at the University of California, Berkeley. She holds a master of science degree in nursing from the health nurse clinician program at Wayne State University in Detroit. Her background in nursing includes more than a decade of clinical practice, including five years as a clinical nurse specialist in cardiovascular nursing. As a nursing administrator, she has been an assistant director of nursing in Michigan and California. Her doctoral dissertation is a study of the impact of hospital restructuring on the work of registered nurses. She is a faculty member in the graduate nursing program at Samuel Merritt College in Oakland, California.