



What Works

Learning from failure

**Using the lessons of decline
to build better healthcare
organizations**

KPMG International

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Govind has extensive experience working with clinicians, administrators and executive teams to improve and optimize organizational performance. Through his work with providers, he has led transformations that have engaged frontline staff, built organizational capability for on-going operations improvement and embedded a relentless focus on sustainability helping organizations improve quality, safety and access while reducing cost in a sustainable manner. Along with delivering results, he has supported organizations in Canada and the UK to shift their culture to one of continuous improvement. Govind is a Senior Manager in the Canadian Healthcare Practice and serves as the lead for the Canadian healthcare operations practice and brings over 10 years of experience supporting healthcare providers. He is well versed in improvement methodologies such as Lean and Six Sigma and often provides coaching support and advice to Improvement Leaders within provider organizations.

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Introduction

Asked for her thoughts on the subject of excellence, two-time Olympic gold medal soccer player Mia Hamm once observed, "It is more difficult to stay on top than to get there." While her comment was made against the backdrop of professional sports, there are many seasoned executives and directors who would likely concede that Hamm's statement is equally applicable to the world of healthcare.

While the pressure to achieve organizational excellence exists in every sector, there are few in which that pressure is as intense and the stakes are as high as in healthcare.

On one hand, there are the patients and their families who expect high-quality services.

On the other, there is no escaping the reality that healthcare is a business. There are payers who are demanding value for every dollar in the delivery of healthcare services. It is the executives and directors of healthcare organizations who are left to operate amid this constant tension, with the pursuit of organizational excellence as a central and ongoing priority.

But what does 'excellence' look like in the healthcare industry?

As with any other industry, there are quantifiable metrics against which healthcare organizations must be measured.

And while performance measurement in healthcare can be more nuanced and complex than in many other industries, it is a key feature of sound leadership practice. Ultimately, the goal is to ensure patients receive the right care at the right place at the right time by the right provider and at the right cost.

"Healthcare is an extremely complex, multi-faceted business for which there are no analogies," says Dr. Cynthia Ambres, Healthcare Strategy Consultant with KPMG in the US.

"Healthcare is really a people service business, but it was never talked about as such when I was in medical school or doing my training. We were trying to cure disease but the behaviors and attitudes of those providing care, the perceptions of quality and ease of access to care for the patients, things which differentiate good care from great care, were not adequately considered. Today, we understand that parameters beyond availability of technology and medicines drive institutional greatness."

While it is extremely challenging to build a high-quality, high-performance healthcare organization, there is ample evidence to support the argument that it is even more difficult to sustain organizational excellence over the long haul and avoid slipping into a state of organizational decline.

This is the challenge examined in this report. Specifically, the report explores why some organizations struggle to detect the warning signs of decline, the common causes of decline and what organizations can do to prevent it.

“Excellence doesn't come from doing one particular thing right once, it comes from doing a thousand things well every time. **”**

Dr. David Williams

President and CEO —
Southlake Regional Health
Centre in Newmarket,
Canada

What makes a healthcare organization excellent?

There is no shortage of literature dedicated to the attributes of high-performing organizations. With the demands and pressures on healthcare organizations rapidly changing, however, achieving excellence is the aspiration of many, but the achievement of few.



While there are different ways in which organizations can reach high levels of performance, there are common themes in structures and systems that can help build a strong foundation for excellence.

KPMG International's 2013 Publication, '*The More I Know, the Less I Sleep*' introduced the four building blocks necessary to achieve a 'high reliability' healthcare organization (see figure 1):

1. a culture devoted to quality
2. responsibility and accountability
3. optimizing and standardizing processes
4. measurement.

Organizations that are successful in achieving excellence have several things in common.

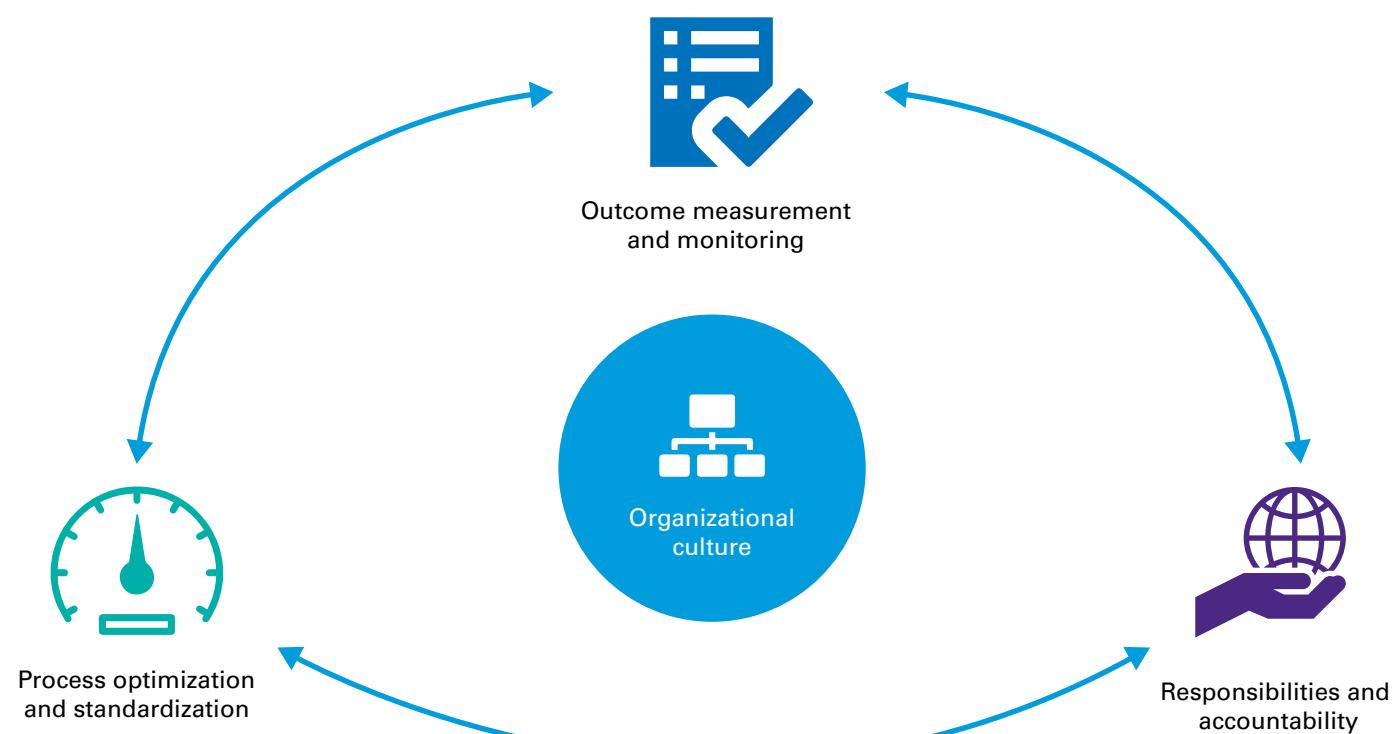
One of the common traits is that they make a point of demanding high quality in every aspect of the organization, from the front lines all the way to the boardroom.

In addition, these organizations create conditions whereby all staff members take responsibility for performance, not only on a personal level, but also collectively as a team.

A review of the literature on high-performing hospitals by Taylor et al identified three additional factors that were usually present² :

- building and maintaining a proficient workforce by providing the support, training, structure and alignment to organizational vision (i.e., making the vision meaningful to staff)
- expertise-driven practice through the provision of autonomy and flexibility based on experience and expertise
- interdisciplinary teamwork that drives towards coordinated patient focused care.

Figure 1: The building blocks for a 'high-reliability' healthcare organization



KPMG International, 2016

1. "The more I know, the less I sleep — Global perspectives on clinical governance." KPMG. 2013.

2. Taylor et al. High performing hospitals: a qualitative systematic review of associated factor and practical strategies for improvement. BMC Health Services Research. 24 June 2015. Web.

"To achieve excellence in a healthcare organization, the most important priority is to have the right culture in place," says Marc Scher, Partner KPMG in the US, Global and US Healthcare Audit.

"There is absolutely no way to be successful without a high-quality organization and there is no way to achieve that high level of quality without the right organizational culture."

When it comes to organizational culture, there are some common traits among healthcare organizations that have achieved a state of excellence. Specifically:

- The culture can be attributed to a strong, stable leadership team that aligns all stakeholders and activities toward achieving a focused and meaningful vision³. These leaders effectively instill a culture of continuous learning and innovation, accountability and collaboration.
- There is often an abundance of ongoing real-time learning and innovation to improve the quality of care and value and the patients' experiences⁴. Beyond best practices, these organizations strive to examine their own care and outcomes in order to seek new insights and better outcomes for their patients⁵.
- Individuals have a strong sense of personal accountability and team members are accountable to one another as work is diligently reviewed and collaboration is promoted to reliably deliver high-quality, high-value care⁶.

"Well-governed organizations have good quality outcomes in every industry. High-performing boards attract high-performing governors who, in turn, attract top talent," says Georgina Black, Partner & National Health & Life Sciences Lead with KPMG in Canada.

"This applies to hospitals where the strongest boards can attract the best executives and physicians. By setting the tone at the top for excellence in quality,

high-performing hospitals can create a culture of continuous improvement that requires intense employee and physician engagement and accountability. Without this, there cannot be a relentless focus on quality."

The interplay of these attributes highlights the challenge associated with achieving excellence. As such, it is clear that creating the appropriate culture (i.e., beliefs and behaviors) is a prerequisite to sustaining excellence and avoiding organizational decline. Similarly, it is important to incorporate robust measurement processes along the way to help gauge the overall health of the organizational culture.

It is worth noting, however, that on a global basis, there are some significant differences in the manner in which healthcare organizations in certain countries measure key performance indicators, including those related to culture, outcomes, process optimization, etc.

While healthcare organizations in most developed countries have robust and comprehensive measurement processes and continue to progress toward transparency of these results, there are some geographies in which healthcare organizations continue to lag behind in this area.

In China, for example, some estimate that with respect to factors such as measurement and commitment to transparency, many healthcare organizations in the country are behind many industry leaders.

"There are no independent audits in public hospitals in China. Though some public hospitals started to develop a hospital-wide KPI system, the majority of the public hospitals still have a long journey to go before starting to share quality and performance information openly and transparently," says Jenny Yao, Partner and Head of Healthcare at KPMG China.



3. Staines, Anthony. "From Quality Improvement Programs to Improved Results for Patients." Institute for Education and Research on Healthcare and Social Organizations. N.p., 8 Mar. 2007. Web

4. "Nuzum, Rachel, Douglas McCarthy, Anthony Shih, Karen Davis, Stephen C. Schoenbaum, and Anne Gauthier. "Organizing the U.S. Healthcare Delivery System for High Performance." The Commonwealth Fund. N.p., Aug. 2008. Web.

5. "Guterman, Stuart, Schoenbaum, Stephen C., Davis, Karen, Schoen, Cathy, Audet, Anne-Marie J., Stremikis, Kristof, and Zezza, Mark A. "High performance accountable care: building on success and learning from experience." The Commonwealth Fund. N.p., Apr 2011. Web.

6. Ibid



A stethoscope lies on a light-colored surface, with its silver bell and tubing visible. In the background, a blue and white striped cloth is draped, creating soft, curved shadows.

What are the symptoms of decline?

Organizational excellence has been a focal point of business texts for decades, including groundbreaking titles such as, *In Search of Excellence* and *Good to Great*. However, even some of the organizations profiled in these texts have stumbled, with some recovering and others ultimately failing. Did the leaders of the organizations that failed recognize the telltale signs of decline? What should they have been looking for?

'Decline' is defined as a gradual and continuous loss of strength, quality or value.

Clearly, decline is a state that all organizations desire to avoid. Nonetheless, despite the extensive writing on the topic of organizational excellence, there has been very little research on the topic of organizational decline. There are a number of incredibly valuable lessons to be learned from studying organizational decline in the healthcare sector.

"Interestingly, we're regularly meeting with hospitals that are in decline but don't actually know it yet," says Ambres.

"Those are often the ones that can be helped. They are early on the road to decline, with shrinking margins, slippage in metrics, rising clinical staff

attrition rates or recently declining employee satisfaction scores. If you look at the trends in metrics for some of the hospitals in the US that people consider to be 'great', you'll find that once you get inside there are lots of things taking place that are not so great."

Healthcare organizations that are in a state of decline share four key symptoms:

— **Decline in human resources health indicators:** Indicators would include lower levels of staff engagement, low morale, increased sick days, overtime and lower engagement scores.

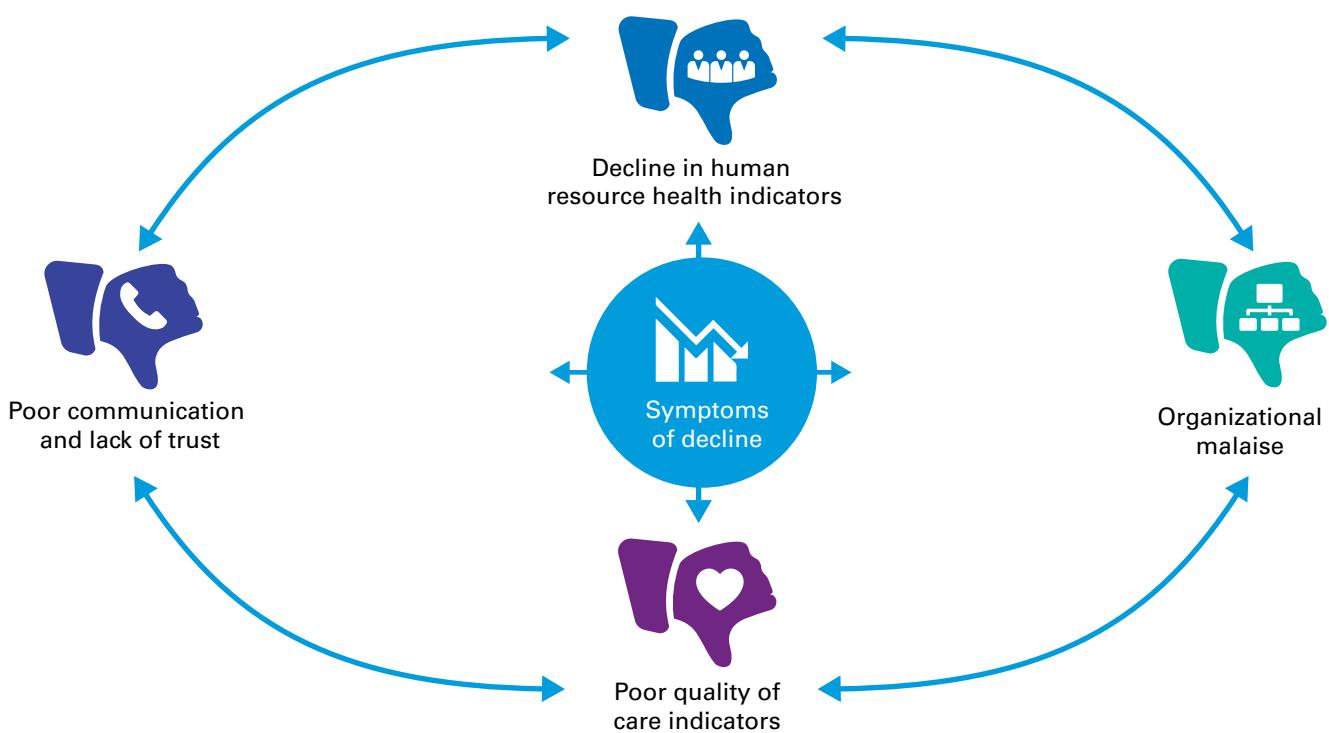
A decline in human resource health hinders the ability of the organization

to deliver quality care. At the same time, talented staff do not want to work at an organization that is unable to serve its community effectively.

— **Organizational malaise:** As the human resource health of the organization starts to decline, the focus on improvement and innovation deteriorates.

This can be disastrous, as organizations that fail to recognize the need to improve and innovate as their environment and patient needs evolve are setting themselves up for failure. In such cases, innovation and improvement initiatives are often rejected because of resource constraints, bad financial management and a feeling of passivity and helplessness⁷.

Figure 2: Four key symptoms of organizational decline



KPMG International, 2016

7. "Kanter, Rosabeth Moss. "Fight the Nine Symptoms of Corporate Decline." Harvard Business Review. 18 Dec. 2012. Web.

— Poor quality of care indicators:

These indicators would include decreased patient satisfaction, increased readmission rates, longer stays, higher costs, lower utilization, longer wait times and increase care variation⁸.

Poor quality of care indicators can be masked in the short term when organizations perform well on what is reported/rewarded and when they perform poorly on what is not.

In addition, organizations can contribute to these behaviors by creating metrics based on misaligned priorities. There is a risk that leaders who are accountable for a set of metrics (whether or not they are critical to an organization's success), will optimize those metrics at the expense of others.

— Poor communication and lack of trust:

While a negative change in employee behavior can be a less obvious symptom to identify, it is a strong indicator of organizational decline — one that is often accompanied by communication breakdowns and trust issues.

Groups and individuals are less inclined to communicate, share information, collaborate

or socialize together, opting to isolate themselves. The limited communication that takes place often involves finger pointing or conflict, whereby responsibility is denied and self-protection becomes a high priority.

This symptom is amplified as the human resource health of the organization declines and organizational malaise sets in, further influencing poor quality of care.

From a causal perspective, it is not clear whether one of these aforementioned symptoms leads to another.

Regardless, these symptoms are certainly interdependent and, as one of them becomes more pronounced, it is only a matter of time before the others follow unless leadership intervenes.

Some of these symptoms (e.g. quality of care and human resources health) can be measured relatively easily, while others (e.g. organizational malaise) can be more challenging to quantify with precision.

These symptoms of decline are often readily apparent if one is looking for them. However, they can often slip under the radar of the leadership team, hidden in a plethora of other data and information.

Leaders in healthcare, as with all industries, can also fall into the trap of seeing only positive metrics while downplaying and 'explaining away' the negative. This feedback loop can cause the organization's performance to decline further and spiral into failure, making the likelihood of recovery increasingly remote.

Paying close attention to these early warning signs is vital because the technological, regulatory and competitive changes which can destabilize organizations are happening with greater speed.

"If you see something change in today's world, you need to be able to change your organizational direction on a dime," says Scher.

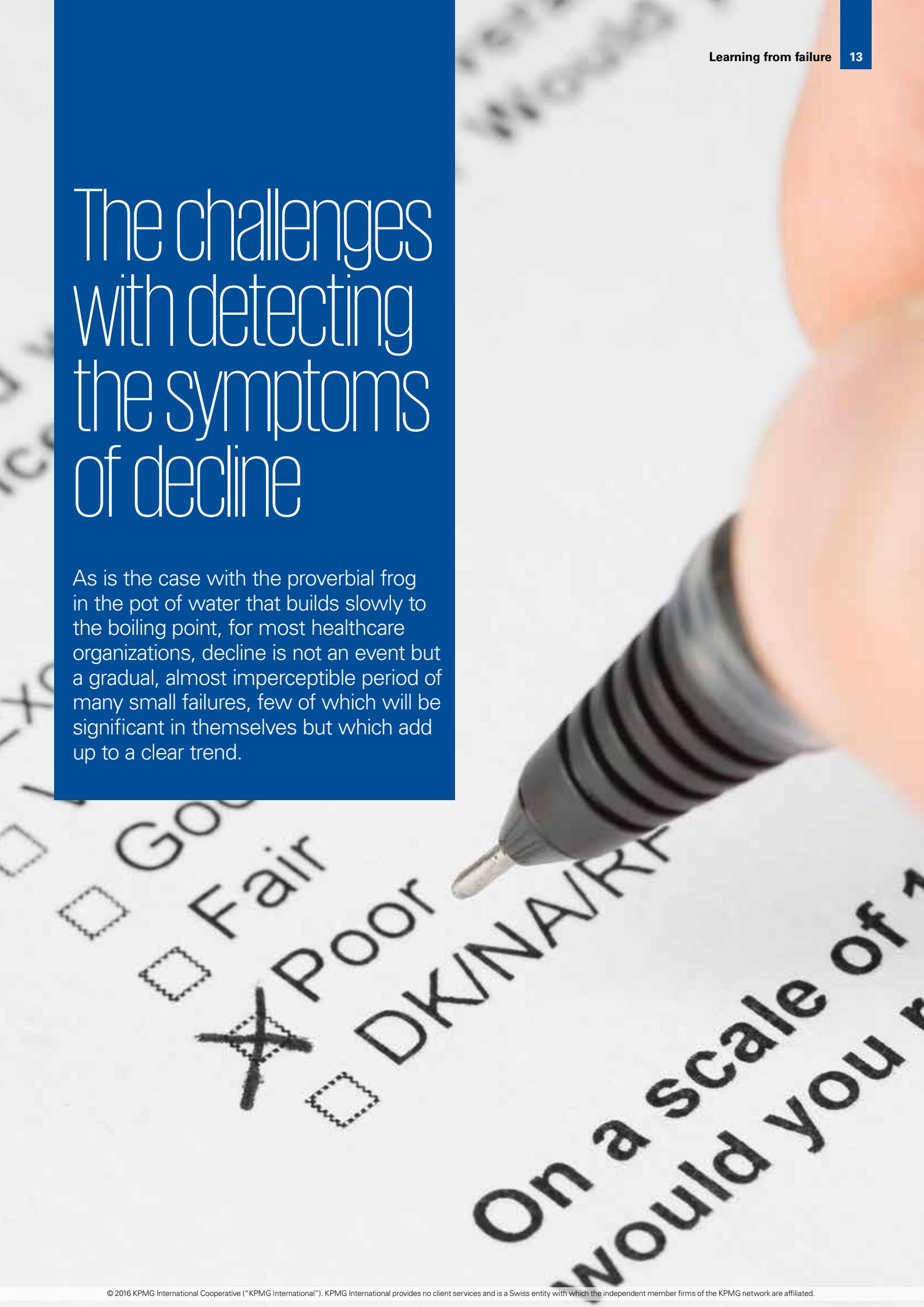
"In the first 20 years of my career, I never saw a hospital or an insurance company go out of business. Today, on a weekly basis, you're reading about one of these small facilities that can't survive anymore. Some of them end up getting acquired while others fold altogether."

"But the bottom line is that you need to make sure your strategy is financially sound and that if there are sudden changes in the market that you can change with them."

8. "Global HealthCare Sustaining Excellence — Part 2." KPMG., 6 November 2014. Web.

The challenges with detecting the symptoms of decline

As is the case with the proverbial frog in the pot of water that builds slowly to the boiling point, for most healthcare organizations, decline is not an event but a gradual, almost imperceptible period of many small failures, few of which will be significant in themselves but which add up to a clear trend.



“.....the real lesson for people like me is that there might be a little bit of a Mid Staffordshire, perhaps not across the entire hospital in my group — it may just be one ward on any given day and those types of things are very hard to spot.”

Frank Daly
Former Chief Executive
South Metropolitan
Health Service in Perth,
Western Australia

While employees in pockets throughout the organization may feel that something is awry, they are often not in the position, nor do they have access to the appropriate data, to connect the dots to create an overall picture of organizational decline.

Decline can happen across the whole organization or in a few specific areas. There are a series of factors that can inhibit leadership's ability to identify the early warning signs of decline:

A reliance on poorly designed reporting tools and analysis

Many organizations rely on scorecards and other reporting mechanisms to provide an indication of high performance and trouble areas. When designed and used appropriately, these mechanisms can be quite effective.

However, there are limits to traditional scorecards, specifically:

- **Poor data quality** — Healthcare systems often require the manual collection and inputting of data, which can be fraught with errors due to inconsistencies in collection, system barriers and poor training.
- **Siloing of data** — This can result in a departmental view as opposed to a system and/or patient perspective. While leadership may spot strengths and opportunities in a focused area, it will be difficult to grasp the broader implications.
- **A focus on process metrics versus outcomes** — Simply measuring activity does not help determine whether those activities are resulting in the desired outcomes.
- **Limitations of scorecards and information systems** — In many cases, these systems are not sensitive enough to detect variations in performance and move from 'green' to 'yellow' to 'red'. Boards may become used to seeing a dashboard filled with green and fail to pick up early yellows until they have escalated. Or worse, there may be a focus on 'average'

performance, which masks poor performance that a subset of patients have experienced.

Organizations must also avoid overweighting positive indicators of performance and underweighting those that point to concern.

This behavior is well-documented within the inquiry on the Mid-Staffordshire NHS Foundation Trust¹⁰. Mid-Staffordshire, located in England served a community of over 275,000 people and gained international notoriety by delivering sub-par care, resulting in unnecessary harm and preventable deaths. A public inquiry and subsequent report resulted in 290 recommendations¹¹ and emphasized the gravity of what had happened.

Many leaders interviewed for this report indicated the need to complement scorecards and data with anecdotal information they hear directly from patients and staff.

This cross-verification of information is known as triangulation and helps build confidence in the data. Intuition and past experience also play an important role, however, they should not automatically trump what the data is indicating or what is being heard.

It is when leaders reconcile intuition with other sources of input to either validate or disprove that 'gut feeling' that value is created.

"There are direct correlations between employee satisfaction and patient experience," says Black.

"However, many leaders of healthcare organizations don't look at those elements right away. Instead, they go to the financials. They're more comfortable immersing themselves in a spreadsheet than they are walking the halls. If they're not paying attention to employee engagement and satisfaction and customer experience, then the financial impact is going to show up as a lagging indicator. Then, by the time the problem is evident in the finances, there's so much

9. "Under the Knife." The New Yorker. 25 August 2014.

10. Francis, Robert. (2013). Report of the Mid Staffordshire NHS Foundation Trust Public Inquiry Executive summary. London: The Stationery Office.

11. Ibid

pressure to deal with the budget piece that they don't end up dealing with any of the root causes."

Senior leaders need to take the time to walk the corridors of their organizations with purpose to understand what the delivery of care looks like and what barriers their staff may be facing in delivering high quality care.

After they have seen firsthand how care is provided, leaders need to reconcile this with other sources of data, including clinical performance, patient satisfaction surveys, employee engagement results, etc.

Not having the sensing ability to detect a genuine threat through all the other 'noise'

Another key challenge revolves around being able to understand whether a threat to the organization is present or not and whether it is an 'ant' or an 'elephant'.

Richard Bohmer, of the Harvard Business School, introduces the concept of an ambiguous threat: a signal that may or may not predict future harm.

He says, "The most dangerous situations arise when a warning sign is ambiguous and the event's potential for causing a company harm is unclear. In these cases, managers tend to actively ignore or discount the risk and take a wait-and-see attitude."

On the other extreme, managers may overreact and deploy a disproportionate amount of resources compared to the degree of risk.

“ Many medical professionals are tending to look forward, they deal with their patients and define a diagnosis but also a prognosis, in clinical work it is quite common to do that, it should not be uncommon and quite sensible to do that in your organizational work as well. **”**

Rob Dillman
CEO of Isala — Netherlands

Sir Stephen Moss, who was brought in to Mid Staffordshire Foundation Trust in 2009 following a damning Healthcare Commission report which revealed 'appalling standards of care' shared in a 2013 keynote presentation on his reflections of the Mid Staffordshire decline (for the Association for Simulated Practice in Healthcare), the need to 'triangulate the data, is the message you are getting from your patients, i.e. compliments, comments, complaints the same as what your national regulators are telling you? If it's not, what are you doing about it, how are you getting under the skin?'

Actions to consider...

- **Triangulate data to develop a reliable picture** — Complement data and scorecards with what is heard directly from staff, patients and families.
- **Continuously evaluate and validate performance data** — Periodically evaluate data to ensure it is fit for purpose and audit to assess accuracy and consistency in collection methods.
- **Disaggregate performance data** — Performance should be viewed at an organizational level but also understood at a disaggregated level (e.g. program and/or ward level) so that pockets of poor performance are exposed.

Bohmer says organizations may be unable to deal with ambiguous threats effectively if:

- Managers are spending more time ‘fighting fires’ and dealing with symptoms instead of addressing root causes.
- There is no process for escalating an ambiguous threat and responding to it. This could range from a simple tripping hazard all the way to having critical equipment needing repair. Such risks are typically raised in and dealt with in an ad-hoc manner.
- There is a culture in which ‘speaking up’ when a concern is present is not supported or actively encouraged.

Of interest here is how to avoid such oversights and recognize threats.

David Williams, President and CEO of Southlake Regional Health Centre, writes in a an article entitled *‘Five Business Lessons from an Astronaut’* [Globe and Mail — 19 December 2014] that all errors (events) regardless of how small they are should be examined in order to learn from them and improve.

This focuses on how a series of smaller adverse events can come together to contribute to a larger event, thus addressing these smaller events can prevent the larger event from occurring.

He indicates that, “the ultimate customer experience isn’t just about one service, but relies on the confluence of many small things done really well over the course of the stay.”

With those considerations, all events (i.e., errors, close calls, deviances from standards) small or large need to be investigated to understand the root cause for its occurrence along with putting in place a corrective measure, thus preventing the potential of future harm.

Along with investigating threats, organizations need to have systems in place to pick up new forms of data and information that are forward looking. In most organizations, much time is spent reviewing data and information that is rear view or retrospective rather than forward looking.

As organizations navigate more complex and fast changing environments, there is a

need to spend more time looking out the windshield versus the rearview mirror.

Organizations are building predictive tools and simulation models to help with the ‘what-if’ scenarios.

Southlake has used such tools to support 10-year planning cycles for service delivery based on population projections. In turn, they will retrospectively evaluate their predictive tools (at a greater frequency than every decade) to assess their reliability and adjust as required which in turn builds confidence for further use.

This forward-looking approach will better position leaders to navigate a fast changing environment in a proactive manner.

Actions to consider...

- **Understand your rearview but don’t forget about the windshield —** Proactively assess what is on the horizon and the potential impact to your organization, which can pave the way for the appropriate proactive planning and risk mitigation to occur.
- **Implement a rapid inquiry process for the investigation of ambiguous threats —** Rather than waiting for formal committees to investigate, empower and expect staff to investigate and experiment in a less formal, yet rapid manner, while pulling on the necessary resources and relaying findings into the more formal committee structure.

The causes of decline and how to avoid it

The decline at Mid-Staffordshire (and the resulting inquiries) provided insight into the causes of decline. The causes included tolerance of poor standards by leadership, poor governance and focusing on the wrong priorities¹². What can organizations learn from the Mid-Staffordshire and other similar failures? What are the conditions that could have avoided this decline?



12. Ibid

Given the literature and our international work with a wide array of healthcare organizations, the causes of decline are distilled into three primary causes:

1. ineffective governance in setting expectations and holding leaders to account
2. a lack of critical reflection on performance
3. accepting complacency.

In this section, some of the primary causes of decline, along with corresponding mitigation practices, are examined.

While there is no single solution to avoid decline, the mitigation practices are often interconnected and will be unique and a function of an organization's current issues, structure and culture.

“... with our Board we are totally candid, totally and truly honest, we share everything the good, the bad, the ugly and I have had Board members come up to me afterwards and say thank you for disclosing that.”

Dr. David Williams

President and CEO —
Southlake Regional Health
Centre in Newmarket,
Canada

Cause 1: Ineffective governance in setting expectations and holding leaders to account

Ineffective governance is usually a key contributor to an organization's ability to meet its strategic objectives or be in control of delivering high-quality care.

Organizations are considered 'in control' if they undertake and demonstrate the following¹³:

- methodically measuring care outcomes
- understanding the key drivers of these outcomes
- understanding how to make these outcomes best-of-class
- systematically preventing avoidable harm to patients.

Leaders must also account for performance, especially when it is

poor, and understand the drivers of outcomes.

For effective governance to be in place, a critical tension needs to exist between the different levels of the organization, starting with the Board to the CEO and throughout the organizational structures and processes.

The Board must feel comfortable to ask the difficult questions of the CEO and drill down to understand the key drivers of performance. In order to have this critical tension the following conditions need to exist:

- Expectations need to be clear and reviewed periodically to ensure everyone continues to be on the same page or to make adjustments given a changing environment.
- The Board needs to receive the right information (both good and bad) in a timely fashion to be able to assess performance.

- A trusted relationship with the expectation of difficult conversations to attain better outcomes.

In order to create this critical tension, organizations such as Virginia Mason in Seattle, Washington have created a compact between the Board and the organization to outline what is expected from each other. This has helped articulate and align expectations, creating standards for engagement and accountability.

Similar compacts exist between the organization and physicians and leaders. It is critical that throughout the organization, challenging questions are asked that will generate critical appraisals of performance in an environment of well-defined measures and clear lines of accountability.

Without this 'critical tension', it will be more difficult to spot the early signs of decline.

Actions to consider...

- **Instill 'critical tension' within the accountability structure** — Setting an expectation for 'critical tension' allows for a deeper level of probing and inquiry that goes beyond the numbers.
- **Periodically review the effectiveness of governors and governance processes** — Assess whether governance relationships, processes and information are enabling effective decision making

13. "The more I know, the less I sleep — Global perspectives on clinical governance." KPMG. 2013.

Cause 2: A lack of critical reflection on performance

It is essential that healthcare organizations embrace critical reflection. Otherwise, leadership can be lulled into complacency based on current or past levels of successful performance. It is important not to

overemphasize the positive while glossing over challenges.

In the wake of the damning 2008 Garling Report into healthcare failures in Australia, it was determined that what was needed was not tighter top-down regulation, rather, serious critical reflection on service

improvement, which was more likely to occur as a result of challenge from peers. Resulting in hospital-based children's services organized into one group (Sydney Children's Hospital Network) and community/primary care services were organized into another (NSW Kids and Families).

Action to consider...

- Acknowledge the good and spend more time talking about the bad** — At all levels of the organization, there needs to be open dialogue about what is working, but more importantly, there needs to be an understanding of the core issues and what is being done about them.

Cause 3: Accepting complacency

A common thread in our conversations with various leaders was that decline does not occur overnight and that it is not caused by a single event.

One of the key igniters of decline is complacency, often occurring once an organization has attained an acceptable level of performance.

Typically accompanying complacency is the organization's unwillingness to talk about failure. It is widely felt that health economies that promote a culture of naming, blaming and shaming, run a significant risk of poor reporting and investigation of errors, as leaders seek to avoid negative exposure.

One of the first steps in preventing decline is to recognize it and ensure it is discussed with an aim to resolution.

John Toussaint, former CEO of ThedaCare, shares that, "Almost every single time it's a process problem but yet the people get blamed for the mistakes so then they go underground and they don't talk about it and are not transparent about the mistake because they are afraid that there is going to be a penalty".

In such an environment, mistakes start to accumulate and can lead to much larger adverse events.

How can organizations foster an open environment where dialogue regarding error can occur?

Rob Dillmann, CEO of Isala in the Netherlands, says, "The best way to create a safe environment is to admit that you as leaders make mistakes, because if I did it, then others will believe it's safe to admit their own".

Many organizations that have utilized Lean principles live by the mantra that a majority of problems are due to process, not people, and that problems should be embraced, as they have provided an opportunity for improvement.

In healthcare, there is still a way to go in creating an environment in which failure is openly discussed in a positive manner.

However, as organizations take increasingly patient-centered stances, creating a safe environment to report, discuss and resolve mistakes will be critical. Ultimately, organizations must continue to push toward the next level of performance and avoid being 'average' or performing to benchmark.

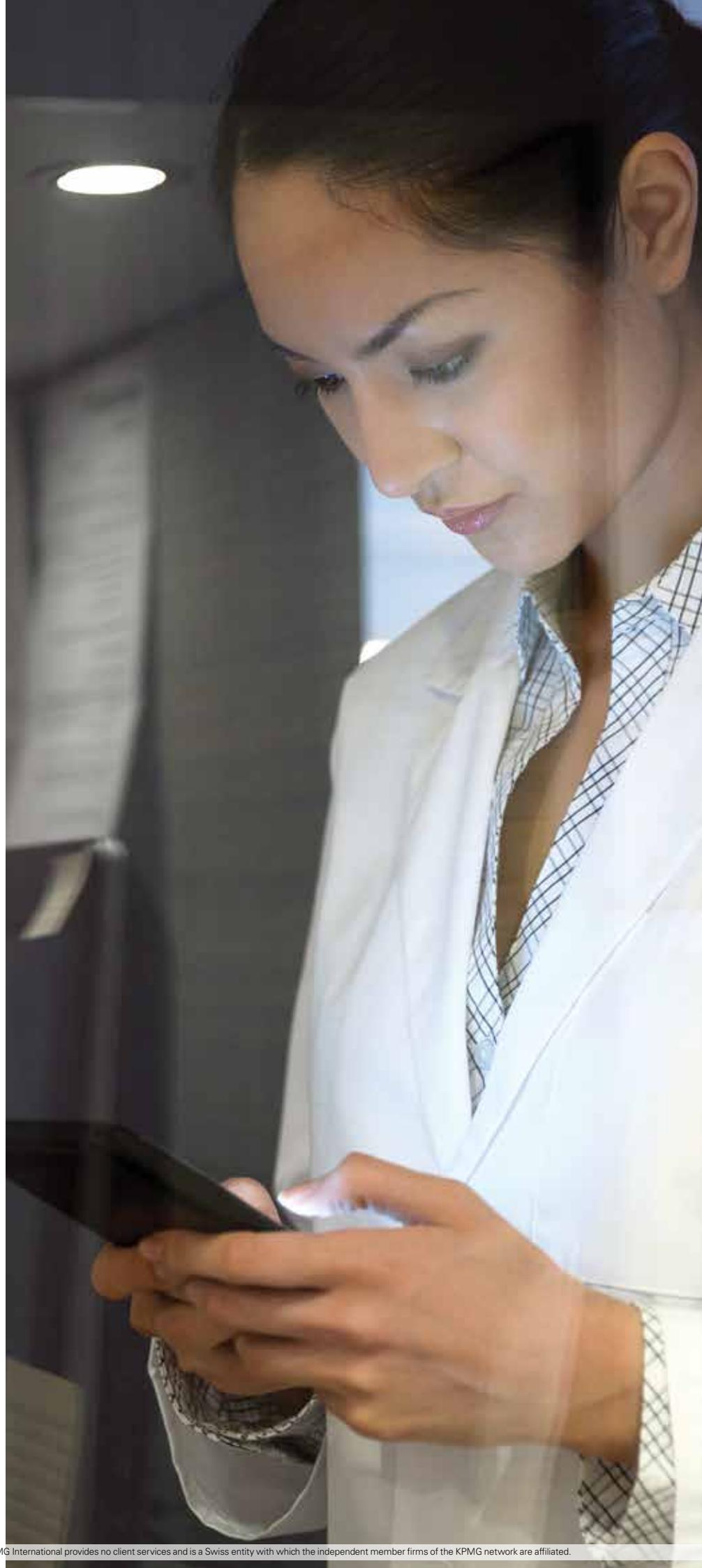
Leading organizations continually focus improving on their own performance year over year as opposed to only looking at external comparisons and benchmarking studies for validation.

Actions to consider...

- Create a safe environment, in which it is expected that opportunities for improvement are raised and discussed** — An organization that talks about failure is one that creates a platform for improvement.
- Foster a 'learning lab' culture** — Leverage insights from the recovery of failing areas as an organizational wide learning opportunity exposing potential risk for other areas.

“When I go to an organization and people immediately start talking about, how ‘there is a thousand things that I wish we could do better, the list is longer than my arm, and here are the top three we are working on and here are the ones we are not working on but we know we have to’, I immediately don’t worry about them.....When I go to an organization and they say to me ‘the only thing we need is an adequate operating budget and we’d be fine’, I know the place is fundamentally broken. ”

Dr. Kevin Smith
CEO — St. Joseph’s
Healthcare System, Canada



Sustaining excellence over time and avoiding decline

How should organizations think about sustaining and building upon excellence?

It comes down to cultivating a spirit of continuous improvement. "It is a fundamental behavior, it's sort of almost a value that you have to have to say you know we are never done, we are never good enough, we are always going to be aggressively seeking perfection and we know that we don't know everything ... It really comes down to the leaders to say we are not going to rest on our laurels and this going to be a fundamental part of our DNA to continuously improve," says John Toussaint as he describes the mind-set required for organizations to sustain excellence.

Often this can be a function of organizational leadership being preoccupied by previous levels of success and relying only on the usual measures of performance captured in scorecards, accreditations or other reporting mechanisms.

Due to leaders' hubris, they may be unresponsive to the ever-changing environment and rely on practices that have worked previously in a different context, resulting in too great of a focus on history and not enough on the future.

This journey is never over.

Organizations that have an innate desire for perfection have it built into their cultures. Providing care and making improvements to how care is provided is part of the day-to-day business of

every member of the organization. With every employee contributing to solving problems and making improvements the organization can sustain current levels and push toward new levels of excellence.

Learning from success and failure

One of the common 'missed opportunities' in healthcare is learning from the failures of other organizations.

There is a tendency to study successful organizations in depth, as there is an assumption that there is more to gain in trying to emulate attributes of success rather than learning from failure.

Kevin Smith, CEO of St. Joseph's Healthcare System and Niagara Health System in Canada has taken the perspective of "if it happened there, it could happen here" and considers "what would it take for this to happen to us?"

Taking that perspective, Smith has made changes within his own organization based on the lessons learned from other organizations, including:

- taking a more scientific and regular approach to surveying medical staff on their perception of the organization and the challenges it faces
- establishing a stronger and more proactive relationship with the media
- investing heavily in physician leadership training and actively identifying and supporting future physician leaders.

“In our organization, we have about 6,000 employees, my statement is that we would like to have 6,000 problem solvers, that is what we expect from them and we will take responsibility for training them to realize that. **”**

Rob Dillman
CEO of Isala — Netherlands

Conclusion

When an organization has achieved excellence but cannot sustain high levels of performance over time, the tendency can be to add more measurement, governance and assurance. This approach is not sufficient to prevent organizations from slipping to reduced levels of performance over the long term.



Sustaining excellence over time needs to be underpinned by organizational leadership that promotes a culture that puts critical reflection of performance at the heart of the organization in a non-threatening manner, provides support to staff to make improvements and sustain them and encourages a relentless focus on continuous improvement.

Indeed, the challenge is the find the 'right' measurement, governance and assurance that will make a difference in the organization.

Drawing upon experience and in discussion with global healthcare leaders, this report identified the following key attributes for sustaining and improving organizational excellence:

- 1. Triangulate data to develop a reliable picture** — Complement data and scorecards with what is heard directly from staff, patients and families to ensure a coherent and reliable story is told.
- 2. Continuously evaluate and validate performance data** — Periodically evaluate data to ensure it is fit for purpose and audit to assess accuracy and consistency in collection methods.

3. Disaggregate performance data —

Performance should be viewed at an organizational level but also understood at a disaggregated level (e.g. program and/or ward level) so that pockets of poor performance are exposed.

- 4. Understand your rearview but don't forget about the windshield** — Proactively assess what is on the horizon and the potential impact to your organization, allowing for the appropriate proactive planning and risk mitigation to occur.

5. Implement a rapid inquiry process for investigation of ambiguous threats —

Rather than waiting for formal committees to investigate, the governance structure should be such that it empowers and expects staff to investigate and experiment in a less formal, yet rapid manner, while pulling on the necessary resources and relaying findings to the appropriate committees, the board, etc.

- 6. Instill 'critical tension' within the accountability structure** — Set an expectation for 'critical tension' to allow for a deeper level of probing

and inquiry that goes beyond the numbers.

- 7. Periodically review the effectiveness of governors and governance processes** — Assess whether governance relationships, processes and information are enabling effecting decision making.

- 8. Acknowledge the good and spend more time talking about the bad** — At all levels of the organization, there needs to be open dialogue about what is working, but more importantly, there needs to be an understanding of the core issues and what is being done about them.

- 9. Create a safe environment, where it is expected that opportunities for improvement are raised and discussed** — An organization that talks about failure is one that creates a platform for improvement.

- 10. Foster a 'learning lab' culture** — Leverage insights from the recovery of failing areas as an organizational wide learning opportunity exposing potential risk for other areas.

As a Board member, consider the following:

- How often do you hear about the significant problems in the organization and what is being done about them?
- Do you have the information to understand performance holistically? Can you triangulate the information provided to you to build confidence in conclusions?
- Can you identify the top three problems within your organization (aside from money)? Would the response be consistent across Board members?
- How much time do you spend thinking about what has happened vs. looking ahead to what could happen?

As an executive, consider the following:

- How have you promoted an environment where uncovering and resolving problems is encouraged?
- Do you allow successes to blind you from seeing problems?
- How often do you validate or challenge your information by spending time on the patient care floors talking to providers and patients?

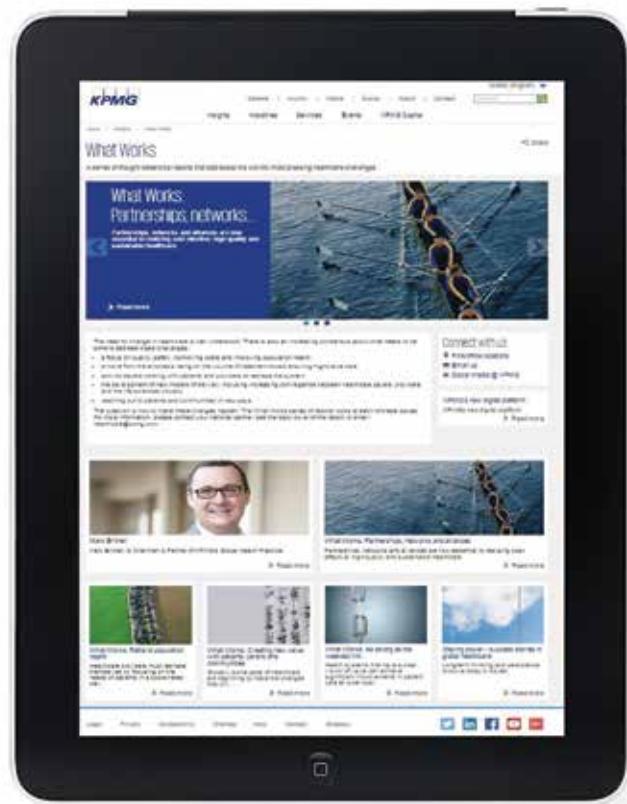
How KPMG can help

As organizations and health systems around the world seek to deliver integrated, coordinated care, KPMG's dedicated network of healthcare professionals are working with organizations and health systems to help them identify and execute strategies to improve.

As healthcare systems around the world seek to pursue and achieve organizational excellence, KPMG's dedicated network of healthcare professionals are helping them tackle this complex change journey in a strategic, coordinated way.

Specifically, our healthcare professionals can help your leadership team to:

- develop goals and set strategy to improve organizational performance
- guide the improvement of your governance processes and accountability structures
- improve performance in a more systematic way (e.g. Lean)
- implement frameworks that encourage and improve employee engagement
- assist with the development and execution of strategic options
- establish frameworks that help orient the entire organization toward operational improvement and
- help healthcare organizations that are struggling to identify and execute strategies to improve.



Contributors



Dr. Cynthia Ambres, Partner, KPMG in the US

Cynthia has extensive experience guiding large healthcare organizations through significant change, improving productivity and patient satisfaction while boosting the bottom line. She is currently a partner in the strategy practice where she works with health care and life sciences companies to develop revenue growth opportunities and improve organizational alignment.

As President and founder of Ambres Healthcare Consulting, Cynthia facilitated merger discussions between two multibillion-dollar health plans and the restructuring of large provider systems. As Senior Vice President and Chief Medical Officer of a large Blue Cross/Blue Shield (BCBS) plan in New York, she led a cardiac surgical care evaluation program that challenged the physicians to think differently about the care process, driving major improvements in the quality of these services for more than two million people.



Georgina Black, Partner, KPMG in Canada

Georgina works closely with boards, executive teams and diverse stakeholder groups to develop strategies to improve performance. Throughout her career, she has led several transformational projects (mergers and acquisitions, restructuring, governance and program reviews, shared services and organizational design) in the public sector to improve effectiveness and efficiencies within complex stakeholder environments. Through her work with provincial, local governments, not-for-profits and healthcare organizations, she brings a systems perspective to identifying and addressing cross function, organization and sector opportunities. Georgina is an Advisory Partner in Canada, national Sector lead for Health and member of KPMG's Global Healthcare Steering Committee. She has 20 years of experience advising organizations in the areas of executive governance and leadership, strategic planning, performance improvement and complex organizational change.



Marc Scher, Partner, KPMG in the US

A highly respected auditor, Marc has played a central role in the growth of KPMG in the US's Global Healthcare practice. With more than 29 years of experience in the healthcare sector, Marc is a leading authority on auditing, financial reporting and tax-efficient financing. He has worked with a wide range of major health systems, long-term care providers, hospitals, biotech companies, payers, purchasing cooperatives and research organizations.

He currently serves as the Partner in charge of KPMG's US and Global Audit Healthcare practice and is Chairman of the Healthcare Financial Management Association, Principles & Practices Board. His client experience includes American Specialty Health, Kaiser Permanente Foundation Hospitals and Kaiser Foundation Health Plans, ISTO Technologies, Davita Inc., Methodist Hospital of Southern California and the University of Missouri Health System.



Jenny Yao, Partner, KPMG China

Jenny has over 20 years of international management experience in the healthcare industry. Before joining KPMG, she was an Associate Director of Operations at Brighton and Sussex University Hospitals NHS Trust, UK. She was involved in setting up a new hospital in Shandong Province before doing her MBA at Imperial College London. Jenny has successfully completed a strategy and planning project for Shandong Development & Reform Commission focusing on elderly care and health wellbeing industry in Shandong Province, China.

Jenny supported one of the top five private healthcare groups in China on management improvement in the areas of quality, procurement, IT, HR and internal controls prior to its IPO in HK. Working with the Department of Health and Monitor, Jenny successfully engaged clinicians, managers and other front line staff in identifying quality indicators and delivering quality at King's College Hospital. The scorecard approach was quoted as good practice case studies by Department of Health, UK. Piloted LEAN service improvement models at London Chest Hospital, the largest Cardiac Centre in Europe.

What Works: A series of thought leading reports from KPMG Global Healthcare

The need for change in healthcare is well understood. There is also an increasing consensus about what needs to be done to address these challenges:

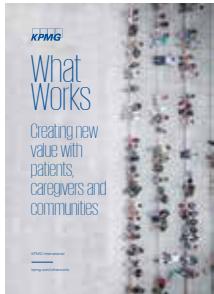
- a focus on quality, safety, controlling costs and improving population health
- a move from the emphasis being on the volume of treatment toward ensuring high-value care
- activist payers working with patients and providers to reshape the system
- the development of new models of delivery including increasing convergence between healthcare payers, providers and the life sciences industry
- reaching out to patients and communities in new ways.

The question is how to make these changes happen. We argue that there are a number of changes of both mind-set and capability that are required across a number of areas. These include:

- creating new partnerships and networks
- developing new models for coordinated care and population health.
- growing the ability to contract for value
- creating systems to drive excellence.

This report looks at the last of these and makes a strong case that organizations need to identify long-term goals and determine the strategies to get there.

For more information, or to reserve your copy of future **What Works** reports, please contact your national partner, see back cover, or email: healthcare@kpmg.com or visit kpmg.com/whatworks for the latest report.



What Works: Creating new value with patients, caregivers and communities

Globally some parts of healthcare are beginning to make the changes that will involve patients, carers and communities more fully in their own healthcare. Using our experience across the world, this report outlines the answers that you need to fully realize the value inherent in better patient involvement and communities to improve care.

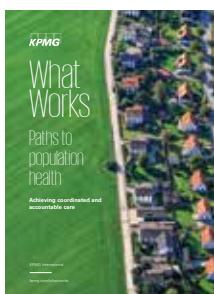
kpmg.com/patientvalue



What Works: As strong as the weakest link — Creating value-based healthcare organizations

Organizing care to deliver value for patients requires change in five main areas. Start with a clear vision and understanding of what value means and focus energy on cohesive action across all the areas. This report focuses on the different lessons drawn from work done with clients and discussions with providers from all over the world.

kpmg.com/valuebasedcare



What Works: Paths to population health — Achieving coordinated and accountable care

Health needs are changing fast, but systems are simply not keeping up. It is clear that organizations are struggling to convert theory into practice. This report describes the practical steps that organizations need to go through to reshape themselves and their services.

kpmg.com/pophealth



What Works: Partnerships, networks and alliances

As hospitals and healthcare organizations around the world struggle to address growing volumes of patients, reduce per capita costs, and improve the patient experience of quality and satisfaction, consolidation in healthcare has accelerated significantly. This report highlights six practical tips that together help organizations realize long-term success.

kpmg.com/partnerships

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