



How to Increase the Success of Healthcare Transformation Projects: Lessons from the Field

Healthcare organizations are under attack. No longer is it enough to provide excellent service while reducing costs and increasing revenue. Now both public and private organizations must understand and master new technologies, regulations, and payment models. Healthcare organizations are affecting the necessary changes by chartering internal or hiring external professional project teams.

We have successfully implemented dozens of transformation projects, and identified three key drivers that make the difference between success and failure:

- Clear project scope
- Organizational commitment
- Alignment between business and information technology

This paper addresses key challenges facing organizations and their projects, and outlines the lessons learned and solutions with regards to these three drivers of success.

Challenges facing all healthcare organizations

The healthcare industry is in the midst of a dramatic transformation, driven by innovative new technologies, increasing regulatory and legislative requirements, and new organizational payment models. In addition, consumers have higher expectations for engagement, thanks to the ease with which they can conduct retail-based transactions on smartphones, tablets, and websites.

This environment drives change, and most of these changes involve both business structure and technology. To remain competitive, the improvements made historically to clinical protocols, provider contracts, charge description masters and the like will not be sufficient. The imperative today is to realize the full value of enabling technology by coupling it successfully to the way in which businesses must be run. Technology brings both extraordinary capabilities and phenomenal complexity to the industry.

Organizations are finding they can't afford to do "business as usual"; they must make the transition from the old model to the new, without dramatically increasing overhead. Project teams are formed to facilitate the needed transformation. Unfortunately, just launching a project is not a guarantee of success, as companies in all industries have discovered. Rather than helping the organization solve their mission-critical problems, the transformation effort can end up adding to the challenges rather than eliminating them.

The three keys to successfully completing a major transformation project

Our combined experience has led us to identify three key drivers to successful completion of projects.

1. Clear project scope
2. Organizational commitment
3. Alignment between Business and Information Technology

Driver # 1: Clear project scope

In the rapidly changing healthcare environment, executives are chartering new initiatives and projects with alacrity. Regardless of their good intentions, there is a limit to how many projects that a single organization can be focused on at one time and be successful. Healthcare organizations must balance the large number of external requirements with the ongoing operational needs and capacity. Unfortunately, this is often an underestimated activity. A flurry of work begins, supported only by a high-level goal and vague direction. Project teams are assembled and charged with the work to be done.

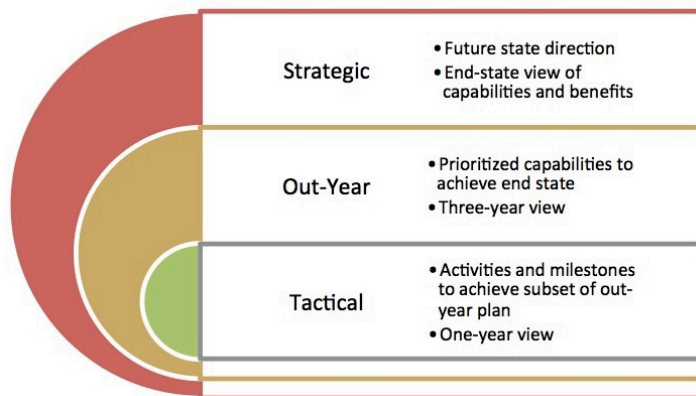
Unfortunately, the project teams (and even the executives) often don't have a clear understanding of project scope, nor how the scope and objectives fit into the organization's multi-year strategic plans or annual business plans.

Project teams are faced with trying to identify and delineate a scope, work plan, resource plan, and timeframe in which to achieve the stated guidance. Giving it their best effort, they will attempt to define clarity of direction in a way that they believe will be aligned with the executives' thought process.

While no one is intentionally setting up the project for failure, it happens. Too little up-front planning is completed at the enterprise and project levels. Project teams are hindered from day one in terms of being able to demonstrate adherence to scope, budget, and timelines. As the project proceeds, project teams show progress that doesn't match what executives originally had in mind in terms of the changes that will be affected and the amount of effort to accomplish the project.

'Measure twice, cut once' – finish the plan before chartering the project team

A clear business strategy that identifies the end-state capabilities of the enterprise provides the context for each individual project chartered by the organization. It allows each project to be 'grounded' in the enterprise's future state vision. Defining individual projects within the context of the enterprise's future provides the opportunity to prioritize and sequence the collection of projects that are to be chartered to achieve the strategy.



There are multiple levels of planning, and each is an important element to a successful project, program or initiative:

- Strategic
- Out-Year
- Tactical

Strategic planning is often neglected at the beginning of an initiative, when it is most appropriately done. The goals of strategic planning are to define the long-term mission, vision, and goals of a given effort and to define the future state outcomes of the solution being defined. The strategic plan will define the 'what' that is to be delivered and how that 'what' will ultimately benefit the customer. This plan should be driven by the business team and provide some guiding principles and structure against which the tactical approach can be validated.

In addition to strategic planning, out-year planning provides a 3-year view of the prioritized capabilities that need to be delivered as part of the solution. This is essentially a step down in detail from the strategic plan. It identifies key capabilities that will need to be delivered in order to realize the objectives of the long-term plan. Rather than delving into the tactical details of how a solution will be delivered, this plan takes a business view of what needs to be accomplished over the upcoming years and prioritizes those needs.

An out-year plan allows the business and IT teams to organize the portfolio of projects; keep a view of requirements beyond the tactical horizon; and provide for annual resource and financial planning. Without this out-year plan, the projects and programs tend to work very narrowly, without appropriate integration. The non-integrated nature of their efforts ultimately extends the timeframe for delivery of business capabilities.

At a tactical level, planning provides the details against which a project can be delivered. While this certainly includes the work plan of tasks, duration, resources, and dependencies, it begins with the development of a compelling rationale for chartering and investing in the project in the first place, and making the desired change. A business case for action is a succinct description of the nature of the problem to be fixed, the desired outcome of the project, and the benefits or value of completing the project. It should create a clear vision of moving from the current to future state. An easily articulated case for action can create excitement to start the project and sustain momentum throughout its duration.

In addition, a number of key elements must be defined to ensure the project team will have a clear scope, and to outline the corresponding planned level of effort. Many of these elements are contained in a project charter – a clear and concise document that establishes the direction and boundaries of the project.

However, we believe the initial planning of a project should include elements that aren't always included in standard project charters. Whether you utilize our definition of the required planning, or follow the guidelines promulgated by professional project management groups, doing so will increase your chances of a successful project execution.

A project charter with a clear project scope will serve as the first, foundational driver, and will include a definition of:

- **The linkage to the enterprise's business direction** – how will the outcomes of this project contribute to the enterprise's future vision? Does this project contribute functionality or capability that ensures the enterprise's financial success this year or in subsequent years? How is the enterprise positioning itself in the future? What does it need to do to be successful?

Project Charter Elements
<ul style="list-style-type: none">• Alignment with organization's business direction• Intended outcomes• Deliverables• Scope boundaries• Interfaces and dependencies• Success metrics• Budget – cost and resources• High-level work plan

- **The intended outcome(s)** – what are the specific results of the project? What are the new or enhanced capabilities to be delivered by this project? Will the outcomes increase revenues, reduce operating costs, improve customer service and satisfaction, or enhance staff productivity? Who within the organization will be

impacted by the intended outcome(s)? What benefits will be derived for external stakeholders and customers?

- **Project deliverables** – what are the specific, tangible artifacts or outputs from the project? Are there interim deliverables that will provide partial capabilities before the completion of the project?
- **The boundaries of the project effort (what's in and what's out)** – how large of an effort is the team undertaking? Is there alignment around what the project will and will not tackle?
- **Key interfaces and dependencies with other organizational efforts** – how does this project's work effort interact with other projects or efforts by the enterprise? Are there other efforts within the enterprise that are dependent upon the completion of this project's deliverables? How does the timing and sequencing of this project, viewed in light of other internal efforts, impact the enterprise's capacity to successfully complete this project?
- **How success will be measured** – how will the enterprise and project team know their project efforts are successful? What does success look like? How will success be measured – metrics and targets?
- **Detailed budget, both cost and resources** – based upon an understanding of the key activities to be completed and the capabilities to be delivered, what is the level of effort required? What are the key cost components of the project, besides staff involvement? How many, what skills, and what level of effort does the project require? Can all resources be assigned from internal staff? Who is the Executive Sponsor of the project? What are the required skills for the Project Manager role?
- **High-level work plan** – what are the key activities to be completed? What is the timing of these activities in terms of effort and duration?

Finally, the initial planning effort should include an analysis and identification of the impact of the project upon the human aspect of the organization. Who within the organization will be impacted during the project as well as who will be the recipient of the results (benefit) of the project? In addition, identify all external constituencies, including trading partners, who will be affected during and upon completion of the project. To what extent does the organization have the capacity to absorb additional change?

For example, one regional commercial insurer identified over 300 projects within their annual strategic portfolio to move the enterprise forward. There was no prioritization of the 300+ projects, no identified linkage to the overall strategic plan, and the only guidance provided to each project team was a one- to two-sentence description of what the project was to accomplish. Because all of the projects were a priority for the year, none of them were a priority! Over the previous few years, less than 25% of their projects were successfully executed and completed. Clearly, strategic and business

planning was absent or insufficient. Without this initial deliberative planning effort, it is difficult for both the enterprise and the project team to identify the 'stake in the ground' to which efforts are driving.

Alternately, for a national senior market insurer client, we facilitated the identification of a strategy and high-level tactical roadmap to guide an operational redesign effort over a two-year time horizon. The outputs from this exercise were:

- A future state vision created by the redesign effort
- Clearly stated and quantifiable program goals
- An opportunity map that identified and briefly described each project to be chartered to accomplish the strategy
- A redesign roadmap that reflected approximate timing, sequencing and dependencies of the projects
- Benefits realization plan with both service and cost-based metrics and targets
- An investment plan describing the approximate level of effort (cost and resources) to accomplish the projects and overall redesign effort

The success rate on these projects was significantly higher than what other healthcare organizations have achieved. 86 percent of the projects were completed within the original budget while achieving their defined scope, goals, and timeframes. The overall targeted operational cost reduction amount was achieved 6 months earlier than originally planned.

Driver # 2: Organizational commitment

The second key driver is the level of **organizational commitment** to the change initiative and associated project. To what extent is the organization in the position to commit the budget, executive leader, project resources, and its employees and external customers to another project? Doing more with the same amount of capacity will doom the project team and organization to failure.

This is probably the most difficult of the drivers for an organization to implement. This is due to the pressure placed on executives and teams to deliver, deliver, deliver. While improved planning (as defined in the first driver) will improve an organization's ability to forecast projects and have a clear linkage to the organization's direction, we will continue to be challenged with too few resources devoted to too much work.

Organizational commitment is required from the first day of the project through to the deployment and operationalization of the desired change. It is all too easy to start off a project with a leadership commitment bang that is then lost when another important goal or project arises. Without this commitment and strong leadership, other organizational challenges impact a project. These include:

- Undervalued or under-committed project manager

- Lack of a dedicated program management office for a series of highly integrated projects
- Insufficient staff in terms of number or capacity
- Misaligned skill set and experience for the defined roles

Committing the organization to success

Faced with the rapidly changing landscape of the industry and marketplace, leaders embark upon a wide range of projects and inadvertently overcommit themselves and their organizations to a level of change that overwhelms them. There are a number of approaches an organization can utilize to limit the number of projects. The tactics we identify here assume that the leadership has identified a specific project that they need to initiate.

Organizational commitment must consider the following:

- Sponsorship
- Capacity
- Capability

Organizational Sponsorship

Is there executive support for the initiative?

Identify an executive leader who understands and embraces the importance of the project to the organization's success. Our experience shows identifying an executive with a vested interest in the project's outcome is an essential component. The executive leader must be recognized and visible within the organization at the beginning and throughout the project, as well as during the very important deployment of the project's change. An engaged leader will provide enthusiasm, inspiration, and encouragement to the project team and the organization as a whole; recognize, celebrate, and reward progress toward the project's desired outcome(s); have the authority and autonomy to make critical project-related decisions; and be the organization's greatest spokesperson for the project. The executive must ensure the project has the required budget and resources to initiate the project and support the project until its successful completion. The identified executive is the most senior individual who will address challenges to the project's progress and completion by quickly resolving issues that have been identified and escalated by the project manager and team.

Organizational Capacity

Are there an appropriate number of resources to be successful?

It's been said over and over again – there isn't enough time in the day – we are stretched too thin. While a very common issue, organizations continue to struggle with this and with 'getting it right.'

Ensuring the appropriate level of dedicated resources to the project is challenged most by the organization's aggressive and over-committed agenda. Each additional project in

the organization creates the opportunity for an existing project to be denied some level of resources, in order to kick-off the new project.

The planning outlined as part of Driver #1 will go a long way to informing resource decisions and assignments. Forecasting resource load prior to project initiation and then continuously assessing the impact of the project's evolution on team size are important elements of the process. While this planning effort is a step in the right direction, we caution you to remember:

- *Don't underestimate the importance of a dedicated project manager.* Our experience indicates that project managers shouldn't be assigned to more than one project at a time, unless there are two projects of a small size and they are tightly integrated. Skimping on project manager resources is the most costly resource mistake that an organization can make.
- *History, not estimations, should drive team size and structure.* The organization should utilize past experience in terms of project management staffing and project sizing to make a determination regarding the number of resources required and the most effective structure. If organizational history isn't robust, consultation with project management professionals and peer organizations will provide some input to establish guidelines appropriate to your organization.
- *Team members should be dedicated to the project.* It should be the exception, not the rule, when a key team member is spread across multiple projects.
- *Key subject matter expert advisors should be used sparingly.* There are critical points in a project lifecycle where a subject matter expert (SME) is vital to decision making, risk management, or issue resolution. While each project should have a SME assigned, this person cannot support more than two projects while also keeping his or her 'day job.' Be smart about the timing and the commitment of SMEs.
- *The mix of internal vs. external resources should be defined by an informed understanding of the specific needs of the project.* Of course we all know that external resources can be used to supplement internal resources, to help drive concurrent projects to a successful completion. However, the long-term success of a project, as measured by the actual benefit or value derived from the project by the organization, is dependent upon having sufficient internal staff involved in the change. Organizational staff involvement ensures that valuable organizational history and practices are incorporated into the project and builds organizational acceptance of the planned change. Successfully supplementing internal project teams with external consultants or contractors is dependent upon identifying the correct roles and number of external resources required to complement the internal team, and isn't utilized as the 'quick and easy' approach to completely staffing entire project teams.

Organizational Capability

Are the right skill sets available and assigned to the right roles?

It's not enough to have the identified number of managers, analysts, or developers assigned to a project. It is critical that these participants have the skill sets and experience needed to be effective. An important element of the resource planning process is the preparation of a detailed resource plan that not only identifies roles and number of team members, but also the required skill sets, leveling by skill, and timing of when the skill is needed.

This plan, and the specific team members, should be evaluated on a quarterly basis to ensure the team remains effectively staffed and managed.

As noted above, utilizing external resources can be helpful. We utilize the following guidelines when assisting clients identify the utilization of external resources:

- Fill project roles that are less dependent on the incumbents possessing institutional history or knowledge
- Focus on subject matter expertise or skills that may not reside with internal staff, e.g., new information system
- Meet short-term peaks in the team's workload, especially as it relates to routine or transactional workload, e.g., reviewing samples of medical records or claims
- Backfill internal staff roles or workload to allow the organizational staff to be members of the project team

A national behavioral health insurer client that embarked upon an operational, organizational, and systems redesign transformation established a temporary program management office (PMO) to provide oversight, coordination, and integration of multiple work streams, each of which consisted of several individual projects. This PMO created, monitored, and managed cost budgets, resource plans, communication, scheduling and issue/risk management processes for the redesign initiative. The PMO ensured appropriate executive sponsorship and the identification of both internal staff and external consultant resources to work the various project teams. As individual project team needs changed throughout the course of their lifecycle, the PMO reassigned and released existing resources and securing new skills or experiences from resources.

Driver #3: Alignment between the business and information technology

The final key driver is the level of **alignment between the business and information technology** portions of the organization. Most change initiatives and the corresponding projects chartered to complete them are heavily dependent upon the enablement of information systems and technology, as well as the enhancement of business processes. The delivery of one without the other is likely to result in an ineffective solution; one that does not realize the full potential of benefits to the organization or the stakeholder.

While business and information technology (IT) teams should work as an integrated team, we have found that there is a gap across the organizations that must be addressed early and often. Traditionally, there has been an imaginary wall between business and IT,

over which requirements and solutions were tossed without collaboration. Although this is improving in many organizations, there remain some environmental circumstances that continue to challenge that relationship. These include:

- *Misalignment in priorities.* While a business sponsor knows that his or her project is of the highest priority, often the IT team has multiple, disparate projects with the same level of priority. Each will be competing for IT resources and sponsorship.
- *Unclear accountability for the solution.* Who owns the solution, and who is responsible for its success? While the business is the ultimate user of a solution, often times it is IT who is held accountable for its success. Given that, which team owns the solution during development and deployment, and which team determines the sequencing and the product itself, as it varies across organizations?
- *Money drives ownership.* Often the IT team has the money for developing a solution, while the business defines what the solution is. As with resources, competing priorities pull at a limited pool of finances. The business doesn't always get what they need.

Often the IT and business teams do not see eye-to-eye, and the circumstances identified above can lead to a level of distrust or angst across the teams.

Drive for a true partnership between business and IT

In its simplest form, a partnership must be formed and nurtured between business and IT. This partnership begins in the planning stages, where IT is a partner with the business managers in identifying, defining, securing, and implementing the best solutions for the organization. Early discussions around the desired project outcome and design features will allow IT to be an active and engaged partner in determining the best information system and technology to achieve the outcomes. The partnership must continue through development and deployment, establishing a rhythm that continues into post-deployment maintenance.

Ensuring there is **alignment between business and information technology** on specific projects begins with an enterprise commitment to a partnership between these two important parts of the organization. This begins by having active IT leadership engagement in the organization's overall strategic and business planning process, and is typically represented in an enterprise portfolio of change initiatives. Adopting an enterprise portfolio management approach ensures that all projects are being actively managed to ensure their synergies, sequencing, and resources are properly aligned.

It is imperative that the IT organization is solidly aligned with the organization's enterprise project portfolio in terms of the level of effort of both the leadership and resources required to complete the projects. This begins with an understanding of the roles of each within the organization. At the very least, business managers should identify and define the requirements of a change initiative, while IT collaborates to identify the best solution to achieve the requirements. Many organizations struggle to achieve the balance between the two functions, with some business managers

abdicating the clear identification of requirements to IT while others will 'tell' IT which desired system or technology should represent the solution.

We have found the following tactical activities very successful in facilitating the partnership between business managers and IT:

- Define a single strategic plan that represents both business and IT issues, and the development of a business architecture that drives capability planning and project schedules.
- Align the stated goals and objectives for business and IT leadership. This is most effective when the leadership teams have the same stated annual goals utilized in individual performance reviews.
- Establish a joint governance structure. While the business and IT teams must answer to their respective organizations, the baseline governance should be integrated. Communications and informational briefs to executives should include leaders from both business and IT. This facilitates integrated decision-making and enforces joint ownership and accountability.
- Establish an integrated Program Management Office (PMO) for large, multi-project programs or portfolios. This establishes joint ownership and accountability for the projects.
- Define and manage project operations in an integrated manner. For example, risk review and change control boards should have decision-making representation from both organizations.
- Co-locate the business and IT teams, especially for a large or complex project or program. This facilitates and encourages improved communications and agile-like decision making.
- Develop and execute an integrated communication plan.

With this approach and the active leadership of business and IT in the process, the organization dramatically improves the visibility of all change efforts to the impacted constituencies.

A client of ours is a Cabinet-level department of the Federal government. They engaged us in the redesign of their customer engagement process and business model. We established an integrated program management office (PMO) and processes that included the active engagement of both business and IT staff. The PMO reported directly to a joint leadership council consisting of representatives from both the business and IT functions. The PMO was responsible for facilitating the development of single strategy for the future customer engagement model and a concept of operations that would realize established performance goals. All project teams within the purview of the PMO had staff from both the business and IT groups, and also utilized external consulting staff.

We define successful project execution as meeting budget and planned timeframes while achieving the desired outcomes. This builds upon the traditional balanced triangle used by project management professionals consisting of scope, timing, and budget. The balanced triangle methodology states the proper balance of the three dimensions is foundational for project success. For example, expanding project scope without increasing the timing and budget will result in either a 'missed' scope or an over-budget and late project.

So how does a healthcare organization, faced with an increasing number of regulatory requirements that involve continually innovative technologies, increase their success at project execution, while simultaneously meeting the wide range of change initiatives?

Returning to the three key drivers previously identified, the following tactics have proven to be successful with our clients:

1. Plan, plan, plan. Clearly define a project prior to initiation that is aligned with the organization's future direction.
2. Identify a manageable amount of change for your organization. Consider a decrease in the number of projects, but increase the level of commitment in terms of leadership and resources.
3. Break down the traditional barriers between business and IT – develop and nurture tight integration and joint accountability.

Successfully executing projects that address significant market and industry challenges is an important competency for healthcare organizations in the 21st century. Organizations that understand their project execution challenges and adopt proven practices will meet the ever-changing requirements of the industry and marketplace. They will discover that success with one project begets success with the second project and creates a consistently high-performing environment.

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