

# Evidence-Based Organizational Redesign Assessments



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June 15, 2020

## Abstract

Senior executives' experiences and industry research (e.g. McKinsey, 2015) show that the vast majority of restructured organizations typically fail to achieve their intended cost-efficiencies and that less than a quarter of organizational redesign initiatives succeed. A major contributing factor is that insufficient consideration is given to deciding which of the organizations' current leaders are most likely to be effective when challenged with increased responsibilities. All too often, leaders are moved around like interchangeable parts, when, in fact, their backgrounds, experiences, and skill sets might be insufficient to achieve the objectives required for the new role they have been given.

We offer a proven and effective approach for addressing these all-too-common challenges. Evidence-Based Organizational Redesign Assessments help organizations leverage their existing and prospective leaders' demonstrated experiences, strengths, and interests to their mutual advantage. These include providing customized strategies to mitigate their risks of making the wrong hiring decisions and ensuring that the individuals selected to lead each restructured functional area will be able to achieve and exceed the goals and objectives which the reorganization seeks to accomplish. Such strategies are in precise alignment with the world-class *Baldrige Excellence Framework* and its Criteria, related to 1.1 senior leadership, 4.2 information and knowledge management, 5.1 workforce environment, and 5.2 workforce engagement.

Overall, the focus of these transparent approaches is to help organizations retain those individuals who have what it takes to not only do their own jobs well, but also to develop others, promote continuity, and facilitate knowledge transfer. Such extraordinary people are those who can be relied upon to accomplish more with fewer resources.

## Introduction

Like their counterparts from other industries also challenged by multiple financial and operational issues caused by the COVID-19 pandemic, health care executives are reassessing their organizational structures to respond to significant changes in the marketplace. According to the Baldrige Criteria commentary, "Senior leaders play a central role in ... transformational change in the organization's structure.... Success requires a strong orientation to the future; an understanding that risk is a part of planning and conducting operations; a commitment to improvement, innovation, and intelligent risk taking; and a focus on organizational sustainability. Increasingly, this requires creating an environment for empowerment, agility, change, and learning." Redesigning their structures and workforce must be done to:

- 1) better enable them to grow their revenues through the creation of new, more viable clinical initiatives and programs;
- 2) adapt to changing payment structures and insurance contracts; and
- 3) more effectively align their cost structures with changing payment plans and practices.

During the coming months and years, the structure and process of health care delivery is likely to change precipitously as new treatment modalities emerge, new technologies are developed to diagnose and manage illness and disease, and new competitors enter the health care marketplace to offer the public alternative approaches and venues for the delivery of care. Each of these potentially disruptive initiatives will pose increasing challenges for existing health care providers attempting to maintain the public's trust and support while meeting new pressures to achieve clinical excellence, improve patient convenience, and maintain the public's satisfaction with the provider community. Such expectations will continue to grow.

Although health care executives and providers of health care services know things will be different moving forward, a clear template does not exist concerning what the end-state will look like. However, they know it is their responsibility as leaders to prepare their organizations for the future. Intelligent risk-taking will be required and the stakes will be very high. Also, the Baldrige Criteria commentary require that leaders need to be able to assess the return on investment for the intelligent risks that they pursue.

This white paper takes a closer look at organizational redesigns and offers more effective alternative approaches to address the inherent weaknesses of the most common cost-cutting practices. More specifically, although the goal of improving operational performance is generally viewed by the C-Suite as critical for the future success of the organization, practical experience and industry research (e.g. McKinsey, 2015) clearly show that the vast majority of restructured organizations typically fail to achieve their intended cost-efficiencies, and that less than a quarter of organizational redesign initiatives succeed.

A primary factor in improving the likelihood that the key performance improvement goals identified in most organizational redesign initiatives will be accomplished involves the selection of qualified individuals to manage and implement such initiatives. Failure to hire the right people for such important roles can be profound. "Recruitment and retention of valuable employees is now recognized as one of the most important issues facing corporate America. As businesses struggle with layoffs, lower consumer confidence, softening commercial investment, and a volatile stock market, effective recruitment has moved from the responsibility of the Human Resources Department to that of the Boardroom. With a sharp focus on human capital, employees are no longer considered a cost, but rather an investment. And, corporate executive officers are expected to present clear strategy and direction for staffing their respective organizations. Their own value to their organization is, in part, measured by how skilled they are at recruiting and retaining key employees" (Baldrige Performance Excellence Program, *"BALDRIGE: For Hiring and Keeping the Best Employees,"* 2001).

In addition, objective approaches are provided to help senior executives prepare early for those actions which will need to be taken when transformative initiatives are required. These cost-effective approaches offer CEOs and their senior leadership team members specific information they will need to drive the future success of the organization.

Lisa Frye provides a compelling financial justification for reducing the probability of hiring the wrong leader for a particular position by identifying the wide-ranging costs associated with such decisions:

- Time and expenses associated with onboarding & training new employees
- Hours spent reviewing resumes and interviewing candidates and recruitment advertising fees
- Time and energy managing poor performance
- Drain on productivity from disrupted projects and lack of continuity of work
- Impact on team morale and stress
- Risk of diminished customer service
- Increased risk of legal fees from unlawful termination or discrimination claims

In addition, the authors have found that it often takes employers at least two-and-a-half years to identify, discipline, and ultimately terminate poor performers. The prohibitive costs of making a bad hiring decision can doom the probability of a successful organizational redesign initiative quite quickly, thereby requiring organizations undertaking such initiatives to ensure that their process and approach for selecting key people results in the right individuals being hired for the right positions, the first time. "Turnover of employees is very expensive, so [role-model organization should be] committed to doing all [they] can to recruit exactly the right people and provide the right work environment to keep them," Baldrige Performance Excellence Program, "BALDRIGE: For Hiring and Keeping the Best Employees," 2001.

Some organizations might opt for deploying more traditional approaches to downsize and restructure their workforce by utilizing enhanced retirement packages or employee seniority for selecting which individuals should leave the organization. Although such approaches might appear to offer the advantage of speed and efficiency in reducing the size of the organization's workforce quickly, such a blunt approach will not ensure that the best people will remain with the organization after the dust settles, and it increases the risk that many qualified individuals will leave the organization because their attitude, skills, and overall competence provide alternative opportunities for them elsewhere (Riddle, T. & Pradhan, K., "Throw Out Your Organizational Chart: Five Steps to Restructuring Your Organization", *Industry Week*, February 3, 2016). Restated, what may appear to be the most efficient approach is not necessarily going to be most effective.

In our experience, we have found that the all-too-common consequences of executing organizational restructurings using such traditional approaches is to drive many of an organization's most talented contributors (who were previously happy, productive, and successful and who hold the greatest institutional knowledge) to go running out the door and inadvertently places more responsibilities on the shoulders of their remaining, less-capable colleagues. The Baldrige Criteria commentary recommend that the focus of your knowledge management system should be on the knowledge that your people need to do their work; improve processes, products, and services; and innovate to add value for the customer and your organization. The system should ensure that high performance is maintained through transitions, which is particularly important for knowledge personally retained by workforce

members. Leading organizations benefit from the knowledge assets of their workforce who are one of the drivers for organizational learning and innovation.

The proven dangers of having a revolving door in key positions are that it can impair job continuity, and potentially eliminate any institutional memory about why things need to change. It also can create job performance and expectation inconsistencies and even chaos within organizations. Given these known challenges, Evidence-Based Organizational Redesign Assessments typically involve the assessment of current or potential leaders to determine which are most likely to thrive when repositioned within a restructured or merged enterprise. Such assessments help organizations leverage their current leaders' proven experiences, strengths, and career interests to their mutual advantage. Also, such assessments often lead to the development of customized strategies to assist the organization's leadership team.

Obviously, the ultimate goal of a well-planned and executed organizational redesign is to develop more than just a new organizational chart with solid and dotted lines and nicely delineated boxes. Effective planning needs to keep in mind that structure determines behavior and that behavior determines results. Similarly, Jim Collins states clearly that the organizational goal must be to place the right people on the bus and in the right seats. Success will happen when the organization's structure, processes, and people are deliberately selected while keeping the desired results in mind. This is supported by the Baldrige Criteria commentary, "Having the right number of workforce contributors with the right skill set is critical to success. Looking ahead to predict those needs for the future allows for adequate training, hiring, relocation times, and preparation for work system changes."

The following Head-Heart-Feet® model serves as a simple yet powerful foundation for evaluating an employee's overall fit for a given leadership position.

## Head, Heart, & Feet

### Three Dimensional Screening



Senior executives should use this Head-Heart-Feet model as part of a more deliberate “Diagnosis Before Treatment” approach. Such an approach clarifies upfront the unique job expectations and the required leadership attributes essential for success in each leadership position. The requirements for success in each position will differ and no two positions should be treated the same. It then thoroughly evaluates incumbents and/or other potential candidates against those standards. In the process, prospective leaders are measured and scientifically matched to their positions along those dimensions that matter most to their long-term success.

The “Head” considers the technical knowledge and formal education that each new leader must have for a given position. This is important and also the easiest to assess, but the greatest challenge organizations encounter with their leaders rarely involves their lack of knowledge or technical competency. Rather, success is correlated much more with personalities and leadership styles.

All their formal training, technical knowledge, and book smarts do not necessarily guarantee transformative performance. Beyond everything else, consistently spectacular performance results when people love to do whatever their position requires.

Based on Synergy's own research studies and proven experience, in more than 92 percent of cases when an executive is terminated or does not perform to expectations, it is because that person's personality and leadership style are not consistent with what the position requires.

The **"Heart"** measures what is the essential leadership style that will contribute most to success in the position. In order to help ensure that the key stakeholders share a clear, objective, and common understanding of what leadership attributes will contribute most to success in each position, they complete a behavioral profile called the Job Success Inventory. Then, the graphic results of the stakeholders' profiles are compared to ensure internal consistency, identify potential significant differences up front, avoid the expensive revolving door phenomenon, and set each new leader up for success in the position.

Assessing the **"Feet"** requires prospective leaders to identify in writing what specific prior experiences they have had and what results they have achieved that correlate most closely with those primary requirements for success in each position. Some of the demonstrated advantages of this transparent approach are that it facilitates a fair and unbiased comparison of multiple candidates' experiences and actual accomplishments against those required by the position. These go far beyond the real capabilities of professionally prepared resumes and provide meaningful, defensible criteria for making these mission-critical hiring decisions.

Adopting the Head-Heart-Feet model also helps prospective leaders to obtain a much clearer picture of what the position really entails (than the often-generic Job Description alone) and to make more informed decisions as to whether or not it will be the right fit for them. In fact, on hundreds of occasions over the last 30-plus years, internal succession planning and organizational redesign candidates as well as our external evidence-based executive search candidates have shared with us that they found that this process forced them to step back and seriously think about their career accomplishments and genuine interests in ways they had never done before. The net result is that this Head-Heart-Feet model can help everyone involved make more accurate and informed selection decisions.

This means taking a more critical and objective approach to selecting which members of the workforce remain, relying on such critical factors as the incumbents' previous performance ratings, actual related accomplishments, and, to the degree possible, independent objective leadership assessments. The proprietary Synergy Screening System® also integrates highly structured interviews and objective leadership assessment instruments with both the organization and their incumbent and prospective leaders, along with Leadership Best Practices research findings and scientifically validated predictive analytics, to match the most critical information needed to ensure each leader's right fit, the first time.

Using The Synergy Organization's cost-effective and evidence-based approaches mitigates organizational risks and provides a clear road map for both the organization and its leaders to achieve success. Deliberately identifying and addressing the developmental needs of high-potential leaders, including physician executives, provides the most efficient way to maximize these valuable resources to your mutual advantage.



## Conclusions

It is far too easy to get hung up on what is not working and to lose sight of the desired results and the prerequisites for achieving these, especially when often painful decisions need to be made affecting people's lives and careers, in addition to the organization's future success or even survival. Common symptoms are poor communications throughout the organization, nothing significant ever gets accomplished efficiently, critical decisions are not made nor implemented properly, and employees are unclear about their day-to-day work priorities. Successful organizational redesigns focus organizations' resources on improving performance by refocusing on strategic priorities, improving decision making, ensuring accountability, and reducing operating costs.

As the health care industry continues to evolve, leadership must constantly be seeking new ways to respond to the public's growing demands for exceptional clinical care and customer service. Clinical excellence, patient care safety, customer convenience and satisfaction will require a process for continually assessing and reassessing how service is provided and how improvements can be achieved. Organizational changes to meet higher and higher expectations are inevitable. Therefore, it is imperative that the right people be selected for the right positions if the goals of organizational redesign are to be achieved or exceeded.

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The Baldrige Foundation is the private-sector partner of the Baldrige Performance Excellence Program (BPEP), a federal program in the National Institute of Standards and Technology within the Department of Commerce. The Mission of the Baldrige Foundation is to ensure the long-term financial growth and viability of BPEP, and to support organizational performance excellence. The Institute for Performance Excellence is a thought leader on performance excellence, leadership and management. Our team carries out this mission in a number of ways: undertaking research projects, hosting conferences and activities, conducting executive-level training, and publishing and distributing a wide variety of educational materials. Its mission is to improve the practice of leadership and management in pursuit of performance excellence and its impact in an ever-changing world.

To learn more about the Baldrige Foundation or Institute for Performance Excellence, please contact Al Faber, President and CEO at (202) 870-3136 or [afaber@baldrigefoundation.org](mailto:afaber@baldrigefoundation.org). The Baldrige Foundation is recognized by the Internal Revenue Service as a 501(c)(3) tax exempt organization. Your donations and contributions are tax deductible. To learn more visit [www.baldrigefoundation.org](http://www.baldrigefoundation.org). To learn more about BPEP visit [www.nist.gov/baldrige](http://www.nist.gov/baldrige).