

Keynote panel "If we know what's wrong, why are we not doing the right things?"

By Alan Weil

This panel pursued the various motivations for change and innovation, asking panelists to bring in their experiences from their unique settings from Johnson & Johnson, Zimmer Biomet, Dentons, and Fresenius Medical Care – all large, complex organizations. Alan first asked the panelists how their organizations promoted a culture of innovation and learning as compared to other smaller, potentially nimbler firms.

Cora Koppe-Stahrenberg from Fresenius Medical Care explained that learning was not just training, but a larger concept. She believed that innovation relied on the culture of the organization and leadership's actions in nurturing and promoting an innovation culture. This would manifest itself by ensuring an employee's "fit" within the culture and emphasizing teamwork and collaboration. However, she cautioned that no one size would fit all firms and leaders would need to promote constant thinking about how to drive outcomes.

Kataryzna Mazur-Hofsaess from Zimmer Biomet believed that managing any organization for innovation was about organizing knowledge and creating a bias for action, so that by trying things, the organization would be able to learn.

Liz Fowler from Johnson & Johnson explained that despite being in a highly matrixed and complex firm, all of their culture was driven by the credo of the company from its founder, Robert Wood Johnson that "first come the patient and family, second come the employees, third are the communities and environment, and finally come the shareholders." This credo informs all activities and prioritizes concerns within the company from drug pricing to employee development. The leaders remain accountable to this by conducting yearly surveys to ensure that the firm lives up to this credo.

Bruce Fried from Denton's opened up believing that every organization is a perfect reflection of its leaders. In challenging organizations to be innovative and internally disruptive, leadership must commit and articulate this vision to be successful. Tools are also key to communicating this vision and engaging the entire spectrum of the workforce from physicians to housekeeping. Culturally, there must also be a commitment to innovation and he recognizes threats even from non-traditional competitors. Finally, firms need to have a willingness to fail. In particular, Bruce praised the efforts of Google and their Google X division who are empowered to try new things with the expressed objective to fail and draw lessons in their pursuit of success.

This objective to fail can be hard to accept though unless it is baked into an organization. Inertia is also difficult for the attractiveness of pursuing margins or fear of losing sunk costs. Panelists shared their experiences with recognizing failure and extracting positive takeaways.

Within the pharmaceutical and device industries, firms live and die by innovating, constantly pressuring themselves. These investments and occasional failures are included in the model. At the same time, the pipeline for development is always looking ahead 10 to 20 years, including the various headwinds and tailwinds within the market. However, all stressed that the margin for enjoying failure was unacceptable when it came to patient safety. Instead, innovative energies would be better served by looking into new business models where the field was unlimited in its various permutations.

From a management perspective, leaders are ultimately accountable for allowing failure and learning from it. Instead of allowing managers to move to a new position every 12-24 months, it's critical that leaders remain in positions long enough so that they can experience the progression of experiments and initiatives and then learn from these experiences, no matter the outcome.

Within these large complex organizations, panelists were also challenged with how they translated and diffused learnings from failure. One panelist admitted that while the culture of the organization was very entrepreneurial, communication still occurred in a top down manner due to its centralized organizational structure. Others stated that within a complex and largely matrix organizational form, communication often was based on interpersonal relationships within the firm, largely leveraging social capital. These statements recognize the importance of an organization's context in understanding spread. But all ultimately were less concerned about innovation and execution for commercial organizations as they would ultimately answer to challenges from the market place. As a result, people within these organizations would always need to push themselves and embrace innovation becoming a part of the fabric of the organization.

Moving away from a firm-based level, the panel then began to discuss innovation in health care delivery on a wider scale. Katarzyna stated that Europe, despite its more rigid health care delivery systems, on a nation by nation perspective was actually a laboratory of solutions, where small tweaks could produce massive changes. Liz then followed up by stating that innovation can be stymied due to regulatory barriers but praised the United State's Center for Medicare and Medicaid Services (CMS) Innovation Center as one example of a national system innovating from a regulatory perspective. Initially set up as a \$10 billion effort under the Affordable Care Act, the CMS Innovation Center enables the government to pursue and experiment with new payment models to improve value and efficiency within an expensive system. But despite these examples of innovation, panelists cautioned to not push change too fast too far, citing the managed care backlash in the US during the 1980s as an example. It instead requires balancing the legitimate interest of stakeholders and interests with the ultimate needs of the system, namely avoiding spiraling costs.

However these innovations, primarily the push for value-based care, have created changes in the mentality of many healthcare system stakeholders, including pharmaceutical and device companies which are now embedding quality metrics earlier in the development model for new innovations as well as a renewed eagerness to pursue breakthroughs over incremental improvement, all to make things more efficient at higher quality. Employers are also becoming more active in trying to reduce costs by playing a more active role in care delivery beyond traditional wellness programs.

European panelists also offered their view on the contrast between innovation in delivery in Europe and the US. They acknowledged that spiraling costs were a universal driving force alongside the desire to seek better care and enhanced access, but countered that the devil was in the details which would prevent change. These included regulatory hurdles from a system designed to support fee for service alongside other legal issues such as labor laws. These differences compared to the US were primarily a result of the different cultural environments and social values of many European nations. However, the panelists all believed that change would become inevitable when the pain of spiraling costs would become unbearable to all.