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Services and solutions delivery

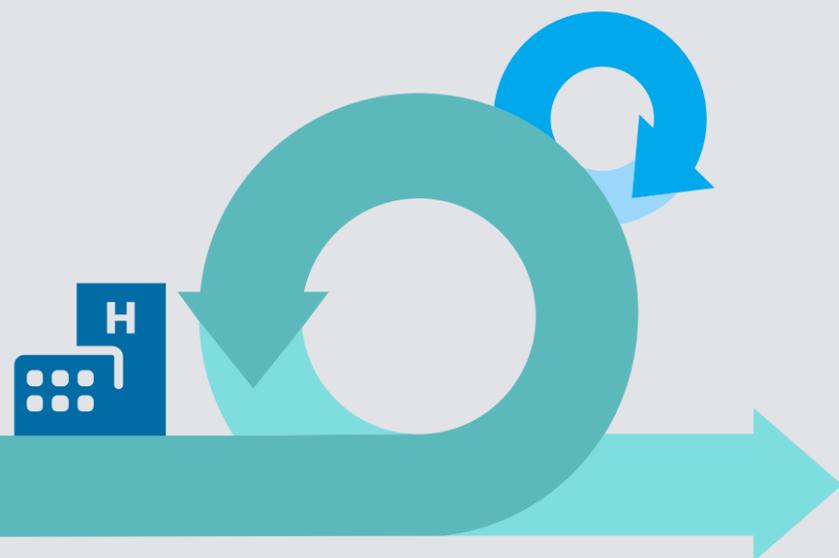
Operational
Intelligence

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How innovating governance can influence and improve operational culture, fast track operational efficiencies and create trusted, strategic partnerships

An innovated approach to governance

How an innovated approach to governance can influence and **improve operational culture, fast track operational efficiencies and create trusted, strategic partnerships.**



Governance is a term that, while signifying good business practices, can often be perceived as a rigid and restrictive structure, a necessary evil rather than a positive gain.

Instead of being a start point for risk, worry and closed thinking, however, partners at Philips Services and Solutions Delivery believe that a modern, innovated governance model can be the vital first step in forging next generation partnerships through the structuring of flexible, collaborative business practices and behaviors that make it possible to optimize operational performance.

Dawn Bruce, Service and Solutions Delivery Leader, Canada explains: "Governance doesn't always get the focus – or praise – it should but I would assert that governance is central to the formation of any good relationship and is integral to realising change management. It's simply that governance needs to keep up with innovation and an innovated governance model should be utilised."

And so, while the term 'governance' refers specifically to the structure and processes by which decision making, accountability, control are taken, a modern approach can actually be much more wide reaching and impactful than that. When embarking on healthcare partnerships, Philips Services & Solutions partners tell us that they practice an operationally intelligent style governance. They believe that their modern, innovative approach to governance empowers open conversations, impacts and informs supporting behaviors and establishes norms and values to ensure that all those involved operate in an aligned, transparent, inclusive and mutually constructive way.

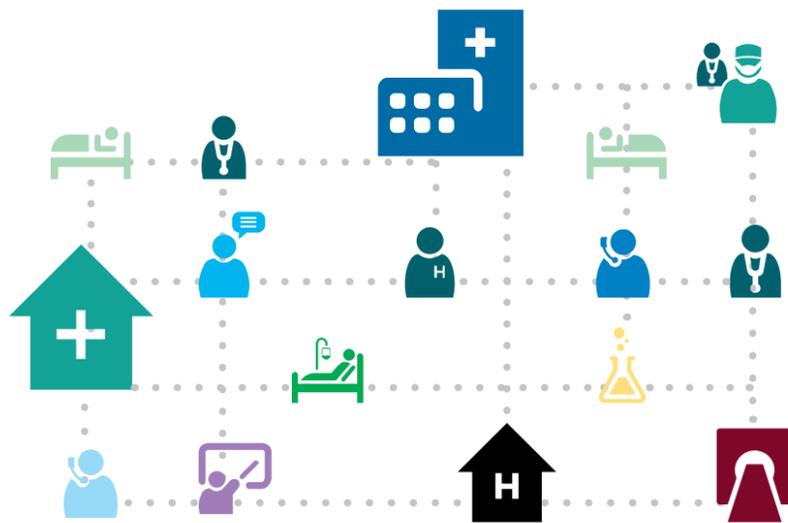
Dawn Bruce describes it thus: "Rather than closing down dialogue and setting procedures in stone, a progressive governance structure can lock in trust, flexibility and collaboration. It becomes a win: win from the get-go." Framing the governance process and adopting an innovative model from the start can make or break relationships, priming for success rather than failure. Dawn Bruce, Service and Solutions Delivery Leader, Canada continues: **"Many external partners will come to a healthcare organization and say, 'we will do this for you and the process is this. The card is marked, the field is set before the match has even started.' And yet operational challenges can't be solved off the shelf. This is where a different approach to partnership comes into play which starts with a new approach to governance.**

An operationally intelligent governance model and process opens conversations within the context of our confidentiality wall, provincial guidelines and the like, but it also enables our healthcare partners to be less transactional and more solutions focused with us and provides an open forum on how we can coach each other. We help hospitals to run operationally intelligently, and from our customer's side, they keep teaching us about their workflows and challenges and where we can help. It becomes a virtual circle of continuing learning and optimization."

What is operationally intelligent governance and why is it important?

In a large modern health system made up of multiple departments, a diverse range of people forming internal and external teams and differing objectives, governance becomes incrementally important to achieving clinical and operational goals. Governance structures how operational objectives are set and achieved, how risk is monitored and addressed and how performance is measured and optimized. A system and a process, a considered governance strategy and structure, is the basis for operational performance and effective partnerships.

Amgad Moawad, Solutions Delivery Manager, Philips Canada explains in more detail: "In a contract, especially of complexity magnitude that we engage in with partners such as Mackenzie Health, governance is actually one of the glue factors in maintaining the relationship and ensuring that both parties get the best value out of these relationships. With the governance committee, you bring together the different areas of the hospital who were not involved in the actual creation and signing of the contract, and start to try to align on interpretation by working in tandem. The governance portion consists of several different layers that allow for multiple checkpoints on both sides and ensures equal participation in the relationship by both Philips and our hospital partner. Governance makes it possible to set and achieve objectives to drive improvements but most importantly embed the ethical standing between the two organizations."



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Embedding an operationally intelligent governance structure therefore has multiple benefits, including:

- 1

Enabling high performance

Operational performance is the objective of all health providers and a governance framework is the difference between an underachieving organization and a high-performing one. Through good governance comes informed implementation, planning, monitoring and measurement of operational performance. Beneath the achievements of all high-performing organizations is a solid governance framework which supports people and the strategic goals of the organization. It helps everyone to be the best that they can be.
- 2

Building in the flexibility to change

All organizations are challenged to respond quickly to external forces, changing paradigms, new technologies and emerging healthcare needs. In order to understand external threats and opportunities, organizations need cohesive and dependable leadership to navigate and improve the organization as the world changes. This ability to adapt to constant change is not something that occurs by accident. It is enabled by good governance. And how you handle change is the ultimate test of your governance durability. The governance system you put in place will determine your course of action as change occurs and will guide your pathway to the future, ensuring the organization stays true to its mission and vision and thrives.
- 3

Maintaining stakeholder confidence

No organization enjoys the blowback from an angry stakeholder or groups of stakeholders when they feel that an organization is ignoring their needs, bypassing them or failing to take on board their input. It damages trust and confidence and sets back the health providers operational goals. Happy stakeholders empower organizations to be at their best and, strategically, propel them forwards.

Spotlight on Mackenzie Health: How to get started with an operationally intelligent governance structure

As healthcare providers move away from transactional business models to risk-sharing models in services and solutions, smart governance becomes an increasingly important aspect of any agreement or partnership. In fact, governance underpins any successful implementation and execution of such an approach. Any long-term arrangement must be underpinned by a solid governance framework that brings both parties under the one umbrella.

When embarking on a long term strategic partnership with a healthcare organization, Philips Services and Solutions Delivery leverages an integrated, operationally intelligent approach to governance. The aim is to establish at the start, a shared, integrated, non-siloed framework that enables transparent and cohesive decision-making in partnership with health providers.

Canadian healthcare organization, Mackenzie Health, provides services through community hospitals in the region and works within the constraints of a single-payer public health system. This means one eye is focused on cost savings, while the other is fixed on rising community healthcare needs. The operationally intelligent governance model devised by Mackenzie Health and Philips Services and Solutions Delivery is the centerpiece of a long-term partnership which spans two hospital sites across York Region, one of Canada's fastest growing communities.

If the long term strategic partnership is a marriage, Dawn Bruce likens the governance process to the ceremonial exchange of vows and also to continual renewal of vows and celebration of anniversaries:

“Working together with Mackenzie Health, we both really invested a lot of energy in thinking about the change management that was required and formulated the governance model with the future in mind.

While traditional governance can be perceived as rigid controls and processes, we start from the building blocks of flexibility and collaboration. As two different organizations with two different cultures and two different sets of objectives, every decision we made through our governance committees could be shared and balanced between the two visions, cultures, objectives of the two organizations.

Without the governance structure and our committees, we would not have achieved the gains we have as quickly and seamlessly as we did. Our governance approach brought two sides together to go beyond traditional models, to establish an innovative model that has many advantages.”



The key advantages of an operationally intelligent governance structure

These key advantages can include:

- 1 Governance promotes operational efficiency**

A governance model supports a roadmap where all elements of the partnership are planned and a clear way forward is decided for the duration of the partnership.
- 2 Builds trusted and transparent decision making**

There is a mutual understanding of the goals and objectives of the partnership. All relevant stakeholders are involved in a decision making process which connects people, processes and technology.
- 3 Allows for visibility of all assets**

All equipment replacements are scheduled and planned: through a governance framework whereby every item is clearly audited and when replacements are required, funding is agreed and supported through engagement with all key parties.”
- 4 Unlocks value creation, especially from technology investments**

A researcher at the MIT Sloan School of Business recently studied governance in 256 organizations in 23 countries and found that organizations “in the study with above-average governance performance that followed a specific strategy (such as customer intimacy) had more than 20% higher profitability than firms with poor governance following the same strategy.” The research also noted that top-performing enterprises not only govern IT differently from average performing firms — but also differently from one another, (e.g., centralization versus decentralization). That said, he also found that top performers were similar in that they “design[ed] their IT governance to reinforce their performance goals and link IT governance to the governance of other key enterprise assets and desired behaviors” (Weill, 2004). (In this study success was defined as: “Firm profitability as measured by three-year industry-adjusted average turn on assets (ROA). Governance performance is the effectiveness of governance as assessed by the CIO to deliver on four IT objectives: cost-effective use of IT, effective use of IT for asset utilization, revenue growth, and business flexibility.”

And yet how do two parties arrive at the key operational metrics set out in a contract? Where does responsibility lie for baseline improvement? Who tracks and measures productivity gains? These are questions that an operationally intelligent governance framework is designed to address.

Why operationally intelligent governance is the groundwork that makes possible the delivery of enhanced KPIs

“Governance is so critical because if you don’t have that touchpoint and the ability to work together around the interpretation of the contract and KPIs, then it is difficult, if not impossible to make progress,” reminds Dawn Bruce.

Amgad Moawad, Solutions Delivery Manager, Philips Canada continues: “Canada has adopted P3 (Public, Private, Partnership) for many long-term infrastructure projects, to assist with the design, build, finance and maintenance of the building and equipment. It is very important we maintain the cost and the price and follow all of the government regulations for procurement and project completion time and plans within this structure.

And yet how to start the shift? The partnership between Philips and Mackenzie Health began with an EIP (equipment investment plan) and an output based specification (OBS) for every technology item required within the contract. The blueprint was set within the original contract but as technology innovates it is all reviewed and modified with assistance from user group and approval of the operations and investment committees.

Amgad Moawad, recalls: “We worked with the governance committees around reviewing equipment specifications from a clinical point of view and determined exactly each piece of technology that Philips will be responsible for in Mackenzie Health. At the Mackenzie Richmond Hill Hospital we found that a lot of the technology was at or beyond life cycle and the multiple vendors across departments did not allow for seamless workflow or allow the equipment to be fully integrated and aligned across multiple sites.

A thorough examination of the technology established where costs could be saved through standardization or the procurement of more appropriate technology. For example, through the governance committees a decision to lower the ‘technology band’ on CT equipment led to substantial savings for Mackenzie Health, provided them with ample functionality to meet their operational needs and the less complex specifications allowed them to speed up procedures and increase patient throughput.

We did a lot of financial analysis to show the customer the difference in dollars they would make, the scalability of the technology they would have, if we moved their technology band,” explains Amgad Moawad. “Through the governance committees they were able to adjust the technology band of their CTs to better suit their needs. Our partnership provides the opportunity to have discussions with the clinicians, which enables us to better understand their clinical needs and adjust the technology accordingly. **We came back with a proposal for two CTs side by side, with the same IT platforms - to avoid confusion for their users - and there were savings of around \$1 million.”**

The operationally intelligent governance structure between Mackenzie Health and Philips was designed to make key decisions on the project’s direction and implementation. It underpins the entire long-term partnership and defines its success.

“In a partnership of this magnitude, governance was actually one of the glue factors in maintaining the relationship. It was built right into the contract itself, very clearly defined, to have user groups as needed, the operational committee, the investment committee and the steering committee,” confirms Dawn Bruce.

“As we progress in our relationship, we continue to tweak the model and make changes as the scope of the full contract itself evolves and grows. The alignment to a 2 hospital format was determined after the contract was signed and has required adjustment as we support Mackenzie Health in aligning their technology and upgrading their capabilities at existing Mackenzie Richmond Hill Hospital.” she continues.

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Dawn Bruce, Service and Solutions Delivery Leader, Canada





Big decisions are not delayed or stalled but made after the business case is diligently presented and approved by the relevant committees. The C-suite of both parties are key stakeholders in the partnership and therefore their involvement is essential on planning, strategy and progress.

Dawn Bruce offers further detail: “Having these multiple layers allows for multiple check points on both sides... there’s equal participation from Philips and Mackenzie Health. We have a solid voting structure, we are able to veto, we can escalate up to the steering committee if we can’t maintain agreement. Without it, we wouldn’t have the communication structure to make decisions effectively.”

This innovative approach to governance really does provide a dramatic shift in thinking and drive important behavioral change and Dawn Bruce provides a compelling example that many

healthcare organizations can identify with: “Healthcare organizations in Canada will typically want to buy the Rolls Royce of everything because they don’t know when they’re next going to get funding. It’s a feast or famine approach. And yet a partnership established as equals on the same team makes it possible to open up new ways of thinking about planning, purchasing and maintaining.

The Managed Technology Services Model can provide predictability on life cycle replacement and the flat monthly unitary payment schedule removes the cyclical nature of traditional spend, For example, we were able to ask our partners at Mackenzie Health, ‘do you really need the Rolls Royce? What if you go for a lower level or a different configuration that fits your clinical needs but frees up budget in order for you to spend somewhere else?’

This type of operationally intelligent governance establishes the foundation of a different type of problem-solving dialogue-based relationship that highlights the true challenges and opportunities amid the complexity. It prevents purely transactional relationships, removes ‘catalogue-based thinking’ and drives true vendor agnostic solutions thinking.”

Amgad Moawad adds that Mackenzie Health and Philips Services & Solutions couldn’t possibly work any other way going forwards.

“The good thing about it is that the governance of the committees involves the C-suite of the partnership and I found it very supportive that we had the C-suite of the two organizations, partnering on a higher level over the governance and that enhances the partnership, and gives us the sponsorship we need.

When the operational committee achieved a practical new decision or new change or a new strategy for the partnership that improves the patient experience or allows our customer to better serve the patient and create a better healthcare experience, it quickly gets approved because we have this access to the C-suite through the governance committees.”

He continues: “We put the business case on the table, present the pros and the cons, the change management coming through it. We show them what can be gained from the partnership — from this new strategy, project or technology — and we get the approval. We’re all on the same team.”

Innovative governance – or Operational Intelligence governance as it is called at Philips - is, it seems, the opening of the door to innovation. Dawn Bruce and Amgad Moawad certainly believe it to be and

encourage healthcare organizations to embrace this new governance opportunity and demand it as an essential part of the partnership process.

Dawn Bruce, Services & Solutions Delivery Leader, Canada advises: “In public Healthcare that is primarily driven by RFPs it can be difficult to build these relationships as the very nature of the procurement is transactional. As we move to a solutions based model that allows for risk sharing we will need to look at new ways to approach government funded partnerships that focus on what is best for the patient and moves away from transactional. The formation of an innovative governance model becomes almost as a kind of procurement process to actually get what you really need. The ability to have these conversations in advance will ultimately save money and drive efficiencies.

With healthcare organizations continuously under pressure to reduce costs by 20%, operationally intelligent governance can be a gamechanger in offering a way to actually achieve our goals, stay within budget creatively yet still gain the benefits of what we need from an operational perspective.

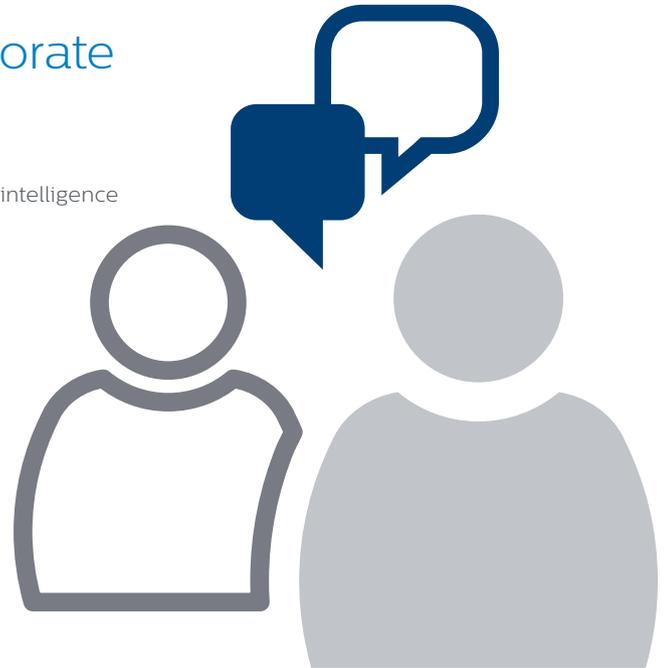


Rather than squeezing the operational budget to achieve a savings target, we can partner to make operational improvements that can achieve the same result while improving patient care. It really is possible if we integrate people, process and technology from the very start.”

Interested to learn more?

Let's talk. Even better, let's collaborate

We'd love to help you apply Operational Intelligence to help solve your key people, process and technology challenges.
For more information, please visit <https://www.philips.com/operational-intelligence>



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