

Best Practices Magazine Interview

1. The stakeholder-oriented business model you talk about in Firms of Endearment is something that healthcare organizations are (conceptually) very committed with, but many hospitals are still struggling to find out the way to do that. How should a healthcare institution start setting a stakeholder relationship management?

I agree that it is not easy to implement the stakeholder model of Firms of Endearment (FoE) in hospitals even though everyone is conceptually in agreement. However, it can be done as shown by Mayo Clinic and by Cleveland Clinic in the U.S. Also, historically, it has been implemented by several faith based hospitals.

The key concept is to subordinate the business motive and engage everyone (staff, administration, patients, compliance and funding institutions) to identify and agree upon a common purpose. This can be patient centric affordable healthcare, for example. It will require shaping the right expectations and measuring them just as we do it for accreditation.

2. How to set a customer relationship based on a humanistic performance? How to win the love of your current clients and new ones?

The only way to win love of current and new clients is to show that you care. The ideal model is caring with cost efficiency. Often, this requires engaging clients as volunteers.

3. How could a company know if it is being loved by their customers and employees? What are the most common tools to evaluate loyalty?

The most common tool is the Net Promoter Score (NPS): Are your clients likely to recommend to others for the specific medical treatment? Referral by patients is the most powerful word of mouth especially in critical conditions and chronic diseases. It is more powerful than referrals by the primary care physician or other medical experts.

4. How could a healthcare organization become a FoEs?

A healthcare organization just like church or university has to have a

purpose or meaning to become a FoE. The purpose must be above and beyond a business motive. In fact, business becomes a means to achieving the purpose.

5. How to bring the interests of all stakeholders (which includes tangible and intangible needs) group into alignment? You mention that no stakeholder benefits should prevail over at the expense of other stakeholder group. How to do that? Give us some examples, please.

The only way to align all stakeholders is to identify and rally behind a common purpose and measure it. For example, it can be operational excellence, customer intimacy or innovation. The lack of alignment is often due to lack of consensus on what is the purpose and how to monitor and measure it.

Secondly, it is important to make no trade offs. We all believe that trade offs are inevitable. I have found that transformational leaders refuse to accept trade offs between superior quality and lower costs or between short term and long term outcomes. It is often a mindset change.

6. You mention that the search for meaning (influenced by the ageing population) has now a major impact on the ethos of society in general. How does it impact the companies behaviour and the competitive scenario? How can companies deal with this new reality?

People are increasingly searching for meaning in their lives. If business or any institution is perceived as not driven by purpose, it is likely to alienate itself from its stakeholders (employees, patients, patrons). In other words, without meaning, the business becomes meaningless and people lose passion to work for or patronize the business.

7. When a hospital decides to be engaged in a accreditation methodology, everyone has to focus their routine and tasks on the patient safety. It means, working and thinking about causing possible damages to patients anytime, everywhere. In a certain way, it is also changing the organizational culture. I would like to hear from you about efforts necessary to change culture in a company. How long it can take? Besides marketing, who else should be involved?

Changing the culture in a company requires leadership at the top which energizes the organization about the future. It is usually opportunity driven vision as opposed to crisis driven vision. The style of leadership is participative and not authoritarian. It requires constant communication and enjoyment with all the stakeholders and especially with the staff of the hospital as to why the change is good for them and for the organization. This is recently demonstrated at Cleveland Clinic and at

several university hospitals including Emory University.

8. In Brazil, physicians work in many different hospitals at the same time. As they are not regular employees and as they can decide where they want to take their patient to, hospitals use marketing strategies to obtain physician's preferences and make him feel as VIP. It never ends and physicians want more and more and more. Would you have any suggestions about how a hospital could think out of the box?

Unfortunately, this is more a supply and demand issue and cannot be solved in the short run. Hospitals must encourage the government to increase enrollments into medical colleges and increase the capacity or allow foreign doctors to practice in Brazil. This was the same situation in the United States until the eighties. This led to formation of HMOs such as Kaiser Permanente. Also, many corporations and insurance companies (payers) demanded more dependable doctors. Salary based compensation and better working flexibility encouraged more women to go into medical practice increasing the overall supply of professionals.

9. How far an organization can go in this its own search for meaning and purpose without losing your identity? Is it possible to change institutional values halfway? How to broaden a company purpose and passion? How does it impact the customers choices?

It is not at all difficult to search for meaning and purpose in any existing organization. It is often embedded in the founder's values. It requires going back to roots of the organization and connecting them to the contemporary context. For example, many popular brands are now becoming purpose driven by linking them to mindful consumption and sustainability.

Surprisingly, it impacts customers in a very positive way. Examples include Coca Cola's worldwide efforts for water conservation and wildlife conservation; Kimberly Clark's efforts in mindful consumption; and Whole Foods promoting local sourcing and fresh, healthy organic foods.

10. In another book, you list self-destructive habits very successful companies have adopted that eventually undermine their success, such as denial, internal turf wars and volume obsession. How can a company check whether or not these habits are installed?

As I mentioned in the book, the self-destructive habits are self evident. Any outsider immediately experiences one or more bad habits of good companies. What it requires is diagnosis. I have therefore, mentioned in the book that good leaders are like good doctors. They can easily

diagnose what ails a patient by observing them and validating the diagnosis by tests. Therefore, what is required is constant observation and audit of a company on the seven bad habits discussed in the book.

11. You mentioned that sometimes CEOs are directly responsible for the self-destructive habits the company developed. How to break this deadlock?

It is true that often the CEOs are directly responsible for the self-destructive habits. There are two ways to prevent this. First, developing checks and balances within the organization. This is recently mandated by law so that CFO is independent signatory to the CEO about the quarterly financial reporting of the company.

Second, and probably more powerful, is the governance role of independent Board Members. This is increasingly happening worldwide. Many CEOs are now let go as soon as the company's Board feels the CEO is the problem and not the solution. Recent examples include Hewett-Packard; Home Depot; Research in Motion (RIM); Kodak; General Motors; Yahoo! and Motorola.

12. How social media interfere in the concepts you bring out in your books?

Social media are either great enablers or great disrupters to concepts I have articulated. They can enable a company in crisis management, and act as a vigilant force. It is very similar to the role social media is playing in political reforms and public dialog.

However, I think we have not fully understood the negative side effects of social media on the organization.

13. Last November, the big Investing in Brazilian Healthcare took place in New York, aiming identifying opportunities in this 200 billion dollars market. Do private equity providers' increased interest in overseas markets nowadays?. How do international investors see the Brazilian market in the current global economic environment?

Brazil as a large emerging market is now becoming core to many investors. This is similar to what is happening to China, India, South Africa and most recently Indonesia.

I think Brazilian government has signaled economic reforms which encourages foreign investment from both other emerging nations such as India and South Africa as well as from advanced countries such as the United States.

I believe private equity firms and many of their clients are very serious about investing in emerging markets and especially in Brazil because it is now becoming the hub of Central and Latin America.

14. In a warmed market of acquisitions and private equity negotiations, how could private equity firms and the healthcare organizations' buyers add value to their portfolio?

The key issue is healthcare regulation. So long as regulation remains transparent and predictable over the long term, private equity and healthcare organizations will add value by making healthcare more affordable and accessible to the masses.

Unfortunately, food, education and healthcare tend to become political agendas for elections and, therefore, subject to election outcomes.

15. After emotional intelligence, ecological intelligence, we started to hear management professors talking about spiritual intelligence and, in your book, you write about The Age of Transcendence, we're about to enter. How Transcendence is related to those other skills and how to apply them?

Spiritual intelligence becomes the DNA for emotional and ecological intelligence. It provides a higher level of connecting the dots about what a company does. It becomes the "raison de etre" or soul of the organization. Therefore, all types of intelligence (rational, emotional, community and ecological intelligence) become connected and instrumental to achieving spiritual intelligence.

16. Brazil is nowadays the sixth largest economy in the world and much is expected of the country, despite all the contrasts and idiosyncrasies. How do you expect Brazil can take part in challenging moment of profound changes?

The best way Brazil can take global leadership is to align with other emerging nations in identifying common issues of inclusive growth, environmental sustainability and resource management. This is already happening with the BRIC Summit and more recently with Brazil-India-South Africa dialog.

17. And finally: You are coming to Brazil very soon for an important conference. What to expect from that experience?

I am really looking forward to my visit to Brazil and Sao Paulo. I expect to learn a lot about the country by meeting industry professionals, policy makers and academic scholars. I have always believed that when a student is ready, the teacher shows up.

