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Can Data & Analytics Fix US Healthcare?

Winter 2017


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Winter 2017

DEPARTMENTS

CATACLYSM INC.

If things seem catastrophic, just wait a few minutes for the next alarm to sound.

Crisis has been the theme of 2017, from natural disasters to corporate scandal and failures. The intensity of each storm gets scrutinized for easy comparison, but the accumulated volume of risks creates a constant worry over what's next.

Destruction happens with remarkable speed. Rebuilding takes much longer and does not receive the same attention.

Homes and businesses were destroyed by the worst wildfires ever in California and floodwater in Houston. Roads and electrical infrastructure were decimated in Puerto Rico, along with vital crops throughout the Caribbean. The financial toll and sheer determination needed to rebuild may seem overwhelming. Corporate donations and crisis response require a wide-ranging reexamination of supply chains and economic interdependencies, both to create resilient teams and to support those in greatest need.

Globally, 89% of people surveyed by the Cone Communications Disaster Relief Trend Tracker said that companies should leverage their assets to help affected communities with in-kind donations and employee volunteers. The same study found 87% of people want companies to play a longer-term role in relief efforts, not just immediate recovery.

WILL YOUR NEXT DISRUPTION BE LOCAL, NATIONAL OR GLOBAL?

China's growing and evolving role in global affairs has implications for industries, nation-states and the personal connections that drive business. Geopolitics has reemerged as a major force, even for companies that tried to avoid such conflicts. These ongoing issues merit more attention from *ThinkSet*.

Companies often are unprepared for a change in the status quo. You can't predict when standards will shift. The backlash against globalization may not last, but it requires navigation. Executives and board members have found themselves enmeshed in issues raised by others. For example, many were asked if they are doing enough to support female managers, hoping to avoid the crisis that hit The Weinstein Company over allegations regarding its CEO's conduct towards women.

Equifax Inc. became a case study for data security failure after hundreds of millions of personal data records were stolen in one of the biggest data breaches yet. That alone may spark reconsideration of corporate data collection, protection and credit reporting. We think there's value to be had as a trusted corporate steward, but with a humility that recognizes absolute control is not possible in the networked world.

PHILIP ROWLEY
Executive Director & Chief Revenue Officer

Philip Rowley

Retaining Top Talent for the Long Run

Support for execs is critical to preserve knowledge and culture, avoid burnout

Marlin Chapman and Joe Bohling

Take a minute and think of some recent voluntary departures from your company and why they chose to retire, start a new chapter or simply step off the treadmill. Chances are good the knowledge or connections that went with them had great value for the organization and that loss was avoidable.

In professional sports, there is the physical game and the mental game. Older athletes know that their experience in high-pressure situations, and strategies learned through the years, will compensate for a slower step or limited physical ability. Some take on coaching or advisory roles or scout talent that fills gaps on the physical side.

Why are companies so unwilling to adapt in the same way?

Across industries, the pace of change is accelerating, and a growing number of seasoned executives are retiring. Instead of keeping up a relentless pace, an estimated 10,000 baby boomers are retiring from the US workforce daily. Burnout motivates untold thousands more to choose sole proprietorship or small organizations that offer more control or work-life balance.

> **"There are not enough people in the Generation X cohort to replace baby boomer executives one for one.**

The pace of change will not slow and, as a simple mathematical matter, there are not enough people in the Generation X cohort to replace baby boomer executives one for one.

New approaches are needed to develop the next generation of executives at corporations, especially those lacking a "ready-now" set of top executives, with special focus on keeping the managers aged 35 to 50. Developing a cross-training program to retain and reward the "corporate athlete" who is willing to train for a long-term future is just one solution.

It's not just diet and exercise that helps manage early mornings and late nights, arduous travel and stress. One answer is in building a cohort of talent around each executive position, so handoffs are possible—as in a relay race—allowing others to learn and grow, share duties and offer the company a safety net of people and talent.

Start with identifying the leadership pathway, designated as high performance and high potential. GE has done this for many years, offering courses and networks at its famed Management Development Institute–Crotonville campus. Preparing individuals with tools, mindset and methodology sustains peak performance and avoids burnout, in large part because each person knows there's a plan.

Another key is identifying clear promotion paths from regional to global leadership, and cross-training in different areas of a company's operations. An executive career isn't a marathon; it's a series of sprints where peak effort is required, punctuated by time for self-reflection, review and the question, "How will this be better next time?"

LISTEN TO MORE FROM JOE BOHLING ON THINKSET PODCAST EPISODE #6

Answering that question requires a mix of speed, accuracy, teamwork, expense and health considerations. At one global alliance of companies, the combination of separation costs and executive search fees ran to $1.5 million per senior leader—not counting diverted resources and lost productivity.

Data matters. Programs can explore weight, blood pressure and glucose levels to ensure physical fitness for key players. Self-reporting on stress, job satisfaction, sleep patterns and progress to personal or corporate goals all need to be factored in.

Add the "always-on" connectivity of technology and the impatience of younger workers for success, and this tangle of issues—demographic, technological, global—poses a serious threat. Forward-thinking corporate boards and talent development chiefs see the need for "fire prevention" in customized and focused programs, rather than "firefighting" in response to crisis.

In the nuclear energy industry and the space program, a solution to the knowledge gap involved hiring back retirees and teaming them with younger workers as mentors.

Solutions start with a question: "What can we do to decrease turnover, improve executive satisfaction and manage controllable factors?" That's how you manage for the long run, not just a season.

Marlin Chapman is global alliance director for executive compensation for Renault-Nissan worldwide operations, based in Franklin, Tenn.

Joe Bohling is a managing director of Berkeley Research Group in Dallas, specializing in executive development and performance improvement for corporate growth.

Risks Beyond the Glass Ceiling

FEMALE CEOs FACE BIGGER CHALLENGES, SHORTER CAREERS

Tam Harbert

The number of publicly traded companies run by female CEOs is up, and there are more qualified female senior executives than ever. Women are entering MBA programs in record numbers, and recruiters report that demand has never been greater for women to fill executive roles.

Many women say executive work is harder and the risks greater than that of their male peers. Women take tough, risky assignments to prove themselves. But then, it's a Pyrrhic victory—they break the glass ceiling, only to fall off a "glass cliff." The phrase refers to the phenomenon of women in leadership roles being likelier than men to achieve leadership roles during periods of crisis when the chance of failure is highest.

"Study after study reveals that the glass cliff is a reality, at least for the Fortune 500," says Prof. Christy Glass, a Utah State University sociologist. "Not only are women appointed to high-risk positions, but they aren't given the same level of authority to act."

Glass and Alison Cook, a professor of management at USU's Jon M. Huntsman School of Business, have published research with both statistical and anecdotal factors, from interviews with female executives. Women are more likely than men to be appointed CEO when companies are in crisis, with limited choices and shorter time frames to turn a business around.

Fewer women are given "dual appointments" of being named CEO and chairman, for example. Some 32% of female CEOs were forced to step down, compared to 13% of men.

> Women take tough, risky assignments to prove themselves. But then, it's a Pyrrhic victory—they break the glass ceiling, only to fall off a "glass cliff."

NEXT PAGE SILICON VALLEY VETERAN SUE SIEGEL TALKS TO THINKSET **>**

Women are more likely to leave the corporate world and move into nonprofit or charity work, whereas men often remain in corporate positions.

"I can't tell you how frustrating it is to talk to a woman CEO who is incredibly talented—a rock star—and she's still not being invited to the golf tournament," Glass says. "She's being excluded from informal networking. Talent that's been honed over many years is wasted. Organizations are losing incredible pools of talent."

CREATING A MODERN WORKPLACE

Beyond the goal of ending a clubby, old boys' network of insular executives, there are powerful incentives for companies to recruit, retain and reward diversity. Research into gender equity shows that corporations with higher numbers of women in executive roles perform better financially than peers with lower numbers.

In 2016, the Peterson Institute for International Economics surveyed data from 22,000 companies in 91 countries and found that companies with at least 30% females in senior management had a 15% increase in profitability.

McKinsey & Company has found that companies in the top quartile for gender diversity are 15% more likely to outperform their counterparts. Credit Suisse found that companies with a female CEO and with women holding at least half of its senior operating roles achieved a 19% higher return on equity and a 9% higher dividend payout.

Yet progress is slow. A poll of 673 companies by recruiting firm Crist|Kolder Associates found the number of female CEOs as of August 2017 had risen from 9 (1.4%) in 2004 to 39 (5.8%) in 2017 year-to-date. At that pace, women would equal the number of men as CEOs by 2056.

Glass and Cook compiled a database of all 52 women who had served as Fortune 500 CEOs through 2014.

When they compared it with a similar dataset of male CEOs, they found that 42% of women were appointed during a crisis, compared to 22% of men.

That disparity isn't completely due to gender bias. Women are self-selecting, often pursuing highly visible and challenging assignments to advance their careers.

"We heard the same story repeatedly," says Glass. "From very early in their careers, they realized their mobility was limited by the fact that they were outsiders . . . They needed a way to distinguish themselves for the right reasons."

Glass and Cook's research also points out that female executives tend to build and maintain strong,

SHE KNOWS THE CODE FOR BUILDING AN INCLUSIVE CULTURE

One way of testing awareness with light conversation

Photo: Matt Stone

Sue Siegel has seen both sides. She's a Silicon Valley veteran who excelled in the startup world and in the corporate corner office. She has been CEO of GE Ventures and led the company's *healthymagination* efforts in precision medicine and advanced technology. In October 2017, she was named chief innovation officer for parent company, General Electric Co.

Siegel helped launch GE's venture operation after working with Mohr Davidow Ventures. Before that, she led the marketing and sales growth of Affymetrix Corp., a genomics analysis tech company where she eventually rose to president and served as a board member.

Siegel spoke at a Harvard Business School conference in September 2017 on the importance of pushing boundaries in technology and building a strong corporate culture. In a *ThinkSet* interview, she discussed ideas for preventing gender bias in the workplace.

"Women are experts at diversity issues as it affects them—we talk about it among ourselves. We don't assume that men are as aware and familiar," Siegel says.

Engage people and check their understanding of issues facing female executives. A casual, private conversation can test a person's capacity for empathy and sense of mission.

"Passion absolutely is ignited when you have true purpose—when you're energized and you believe in what you're doing, you want to keep going. It drives strategies and endures beyond leaders," she adds.

One method she advises is using a jargon-check to educate and entertain before an uncomfortable scene arises. See if your colleagues know these shorthand phrases:

Manterrupting – Describes the habit of men, particularly senior-level executives, cutting off a woman in mid-sentence. Often, it leads to **Mansplaining**, with the interrupter detailing facts the group already knows. Or worse, it can redirect the conversation to his experience or view, rather than the original speaker's point.

On-ramp/Off-ramp – Refers to the career track and ways executive women, more often than men, need to manage a sabbatical to raise children or handle elder care. Women coach each other about experience and message when they step off the corporate ladder and strategize about how to re-engage. Do you know if your company's female execs are off-ramping?

Bropropriate – Ways that workplace culture, especially in startups, can be geared to young, male post-college teams. During planning sessions, considering asking out loud, "*Is this bropropriate?*"

collaborative corporate cultures. They foster better social responsibility policies, particularly in employee benefits, diversity and environmental stewardship.

While information is available on public companies, it's more difficult to identify how women fare in small or mid-sized public companies or privately owned businesses.

A Crunchbase survey of venture capital found that women made up 7% of investing partners at the top 100 venture and micro-venture firms. Between 2010 and 2015, only 12% of venture rounds and 10% of venture dollars globally went to startups with at least one female founder.

Those statistics are no surprise to Bouzha Cookman, managing partner at Catlin & Cookman Group. Her firm runs forums in Chicago and Boston for CEOs in the tech industry on how to grow their firms.

"We've always struggled to get more women" into the forum, she says, adding that most have a male-to-female ratio of four to one.

Although some investors are trying to increase support for female entrepreneurs, "You invest in what you know, and they know more male CEOs than female, especially in the tech industry," says Cookman.

ADVANCING WHAT MATTERS TO EMPLOYEES, SHAREHOLDERS

Supporting a meritocratic and supportive workplace culture is important, Cookman says, but it's rarely an issue raised by investors or directors. Building a brand and culture is key to growth, "but your board members are never going to ask you, 'Tell me what your core values are' and 'How are you going to build your culture?'" she says. "If females care about [corporate culture], they may not be comfortable reporting it to investors that don't think that's important."

Glass and Cook found that companies improved recruiting of minority candidates and work-family benefits by having influential female leaders, particularly on boards. Some countries have legislated gender equity on boards. Norway was the first, adopting a quota of 40% female members in 2004. Germany, France, Belgium, Iceland and Italy also have mandated quotas.

"When there is a critical mass on the board, there is better governance and transparency, and also improved ethics," says Cook.

Chicago-based Crist|Kolder is feeling the pressure. "There's been a massive push for female diversity on boards for the last couple of years," says Josh Crist, a managing director. "We are doing 20 board searches a year for these large companies, and 17 last year were female placements."

Companies can see direct ties between their business and the growing economic power of women. Globally, women create, control and influence some $20 trillion, an estimated 27% of the world's wealth. In the US alone, women control roughly $11 trillion of investable assets.

Source: Center for Talent Innovation

P. 16 FROM FIRING TO CEO CHAMPION HOW ONE WOMAN DIRECTED A HUGE TURNAROUND AT HER FORMER INDUSTRY RIVAL. >

Stefania Mallett rose to mid-level management at a publicly traded company, but left to pursue entrepreneurial interests. She founded three startups; the latest is ezCater Inc., a Boston-based online platform for arranging food service at meetings nationwide. The move wasn't a response to corporate America, she says, as much as a chance to do things differently.

"We should stop talking about this," she says. "We will be successful when we stop interviewing women about whether women are having trouble in business, interviewing men about whether women should be allowed in business."

For her, "Results are the new gender."

At ezCater, people are encouraged to express their opinions and even argue with the CEO, but decisions are made based on data.

"Data is the great equalizer. Data gives you objectivity. It removes the weight of the person who talks loudest or plays the founder card or comes in with a fantastic pedigree of some kind," Mallett says.

While women hold nearly half of management roles, they make up 25% of executive leadership. Mallett is the only woman on ezCater's six-member board of directors.

CHANGE IS SLOW, STEADY

Influential women, particularly on the board of directors, helped companies advance, Glass and Cook say. "When there is a critical mass on the board, there is better governance and transparency, and also improved ethics," says Cook.

Even in countries that require gender equity on boards, evidence is scant that it actually leads to more female CEOs. S&P Global Market Intelligence reported that the number of female CEOs at the 350 largest public companies in Europe (the S&P Euro 350) increased from 2% in 2009 to 4% in 2016.

In 2016, women made up 32% of new independent directors in the S&P 500, according to Spencer Stuart.

"Corporate ocean liners turn slowly," says Susan S. Stautberg, CEO and founder of the WomenCorporateDirectors Foundation. Yet she sees a positive signal that boards are moving away from sitting CEOs as a default board choice, which may increase opportunities for women.

Tam Harbert writes on technology, business and public policy from Washington DC. She contributes to Computerworld, Government Technology and IEEE Spectrum.

Can Data & Analytics Fix US Healthcare?

David Wallace

Algorithms never sleep. They are constantly hard at work, toiling away at the complex intersection of healthcare, insurance and finance.

Predictive models forecast your medical future based on current profile, conditions and medicines. The financial programs grind away to ascertain how much will be paid for by an insurance company, possibly a federal program, by you as the patient and at what rate.

Models calculate the likelihood of default and how much is owed or reimbursable to the doctor, facility and other parties.

The larger the organization, the more data it can assemble and the more powerful its computing or knowledge power. Optum Inc. contends that 30% of the world's stored data is generated in healthcare, yet many organizations lack the ability or tools to realize its potential.

In just under a decade, the healthcare industry has scaled up from pilot data-collection programs to new industry standards and population-level analysis done by athenahealth, Optum, Philips Wellcentive, Cerner and others. Data that was once siloed is being freed to inform organizations laterally, from operations to marketing, finance to compliance.

Pharmacy sales data, electronic patient records, personal genome details, doctor billing and related systems all contribute to the big-picture view.

Data flows improve the patient-provider connection by speeding shared information, says Dr. Rajesh Davda, Cigna's national medical director. He told an Optum conference audience that accountable care, backed by data, is solving some clinical and patient questions, but that it does not come quickly or cheaply enough.

"We've committed to the value-based platform" with accountable care and a large investment in infrastructure, he adds. "A decade ago, providers may not have had powerhouse analytics programs. Now they do. We need to share data back and forth and provide directional exchange."

There is always the danger of one action creating an opposite reaction, along with other unintended consequences. Experts warn of the dangers of seeking silver-bullet solutions to the multifaceted issues affecting the US healthcare marketplace.

P. 26 THE VISUAL WHERE INVESTORS ARE PLACING BETS ON HEALTHCARE TECHNOLOGIES AND SERVICES. **>**

More data can actually lead to delays in patient care or systemic failures affecting patient safety. Lack of downtime, interruptions to power supplies or threats from hackers can frustrate frontline caregivers seeking an almighty "single view of the truth." They may have a toolkit that does not supply useful, actionable details in a timely manner. Or it might open their choices to majority rule based on a database of similar incidents, with severe legal, regulatory or financial implications.

Reinforcing good lifestyle choices may help employers and workers optimize medical, behavioral, pharmaceutical and insurance program benefits.

Cigna, for example, launched One Guide, an always-available web and telephone resource augmented by analytics data, to help patients. It offers tips and reminders, answers questions and encourages better health habits.

THE MONEY PROBLEM

LaunchPoint Corp. estimates that more than $1 trillion annually is wasted in the healthcare system because of human error, process complexity and changing insurance and eligibility details. Matching claims with payers alone can add 30% to the cost of a claim, if there are errors to be reworked and hours of time spent on billing corrections and resubmissions.

Discovery Health Partners, a division of LaunchPoint, addresses "payment integrity," an area where problems cost as much as 7% of paid claim dollars every year. That means a 500,000-member health plan, with costs averaging $3,600 per member per year, will pay $1.8 billion in claims, of which up to $126 million is wasted.

"Given that members are changing plans at an ever-increasing rate, there are gaps in patient medical claims history as seen through the lens of any one payer," argues Steve Forcash, LaunchPoint vice president for analytics. "The data and tools exist to truly disrupt the claims payment process, but many headwinds prevent health plans from going all in on change. Chances are, the vendors that take that risk will end up making an incredible impact on reducing waste in healthcare."

Over the next 20 years, the US will have a knowledgeable, demanding and lucrative market for healthcare services and products. To succeed, though, companies will need skilled people to deliver services and the kind of coordination that has been missing since the days of the neighborhood house call.

As companies, people and networks shift into and out of markets, one concern is that data will not forecast the future as much as show what went wrong in the past. Experts warn of unreliable data and the need for long-term investments to ensure accuracy.

> **Industry averages or other comparisons have limited value in financial matters and cannot replace experience and skill in real-time clinical decisions.**

P. 13 GHIN IS A NEW PROGRAM TO SHARE MEDICAL CARE'S BEST PRACTICES AND OUTCOME DATA FROM HOSPITALS WORLDWIDE. >

CHANGING PATIENT CARE AND COSTS

Data and trend analytics may be useful for directional guidance or setting boundaries, but not for zero-sum actions such as payments, patient care or critical interconnected systems. Industry averages or other comparisons have limited value in financial matters and cannot replace experience and skill in real-time clinical decisions.

"I would be under no illusion that these calculations would be objective," says Paul Levy, former president and CEO of Boston's Beth Israel Deaconess Medical Center. "The danger is these analyses will all give the illusion of precision, but [these] assumptions will be a black box with human judgments."

The origin, reliability and usability of data is unknown, which invariably raises questions, Levy notes. Which data is shared? Which data set is best? How do you identify assumptions or flaws? Data is a raw material for searching, he says, not a set of answers that can be used as a proof point.

Hospitals and doctors are evolving their practice of medical care while coping with the turmoil of insurers entering and leaving markets, changing coverage levels, pricing and other externalities, says David Wildebrandt, a Florida-based managing director at Berkeley Research Group and former hospital CEO.

"We've had a department store model of inpatient care," he says. "You go to the hospital and seek treatment. But care has gotten more customized, more ambulatory, more personal and patient centric. The payment models are struggling to change."

The data jigsaw puzzle relies heavily on in-network systems. Patients may have incomplete profiles if they visit independent urgent care centers and out-of-network specialists. Those holes create knowledge gaps.

Patient research, ratings and rankings now permit healthcare customers to evaluate and report their experiences quickly and globally. Wearable technologies have provided more data, but not more context. Conveniences such as mail-order pharmacies, web-based consultations and global competition for patients are new, competitive challenges.

Organizations should keep a watchful eye on trend lines. Baby boomers will need more healthcare services as that mass generation moves through retirement to old age.

WORLDWIDE REACH, LOCAL IMPACT

Wellness education, disease tracking and rapid response are some of the medical care components that benefit from the global scale and the speed of big data. Pattern-recognition software, combined with notifications, is changing medicine top to bottom, from global disease monitoring to patient admissions at local hospitals.

NEW GLOBAL VENTURE SHARES HOSPITAL DATA, CARE & RESULTS

The future of outcome-based healthcare

Kevin Hamilton

Cellular networks allowed for a leap in telecommunications technology. Today, population-level data is having the same transformative effect on outcome-based healthcare globally.

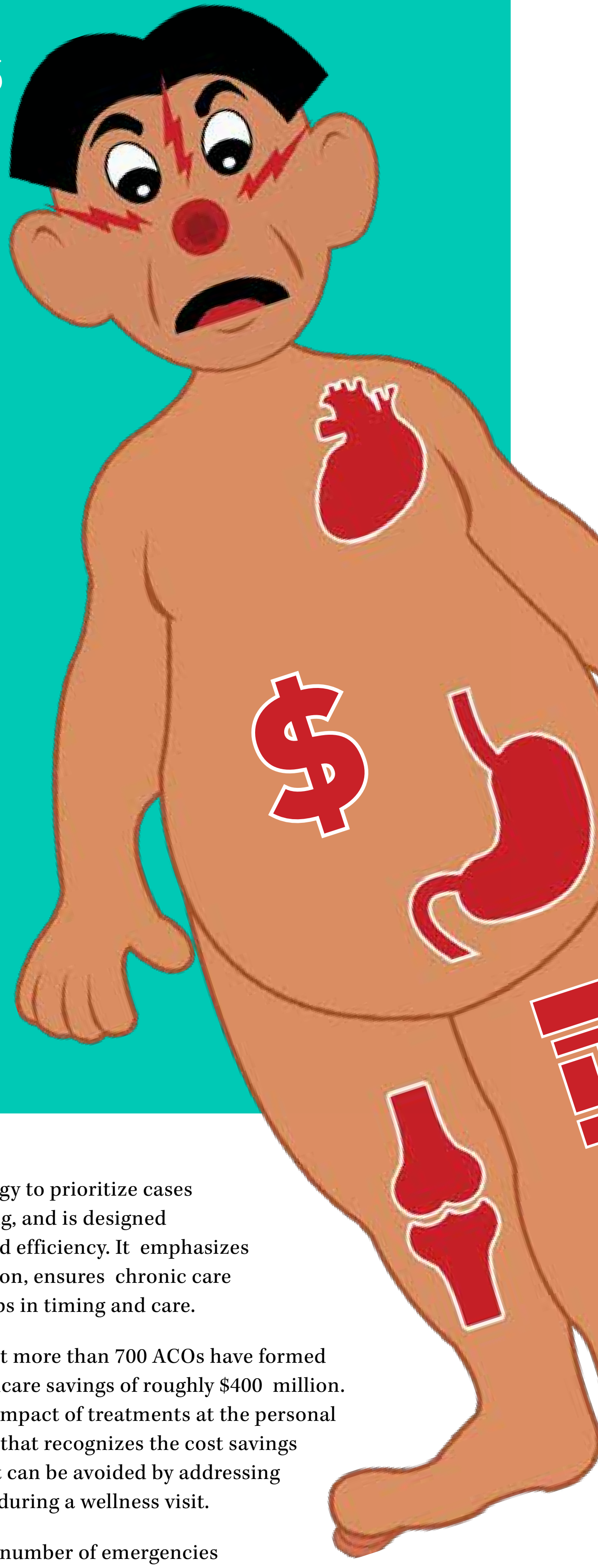
Global Health Insight Network (GHIN), a nonprofit initiative of the Berkeley Research Policy Institute, launched in fall 2017 to create a global alliance of healthcare professionals dedicated to improving care while reducing cost and inefficiency. Many disparate data silos (finance, patient care, population data) exist in multiple sites and formats and must be brought together for evaluation.

The GHIN collaborative allows top hospital executives, researchers and nongovernmental organizations to share practices from some of Europe's best hospitals or to coordinate efforts to slow the prevalence of diabetes in Gulf Cooperation Council countries.

Doctors around the world are seeing a rise in patients with chronic medical conditions, so a deep understanding of data and collaboration from recognized experts is key to managing these emerging issues.

The Vision 2030 program in Saudi Arabia and UAE Vision 2021 are examples of how nations addressing the need for access to world-class healthcare, says BRG managing director Larry Fallin, who has worked in the region for three decades.

GHIN members will tap enhanced healthcare datasets to highlight care quality and efficiency variations in both clinical and nonclinical activities. They will have access to a dynamic applied analytics technology platform to provide valid, comparable and actionable insights. The inaugural meeting, held in November of 2017 in Amsterdam, included leaders from hospitals in the US, Europe, Australia and Asia. Participants planned future initiatives and explored pressing challenges in global healthcare.



What does the future of healthcare analytics look like? Much depends on the regulatory and reimbursement policies set by government agencies and a doctor or facility that can react quickly to data-driven insights.

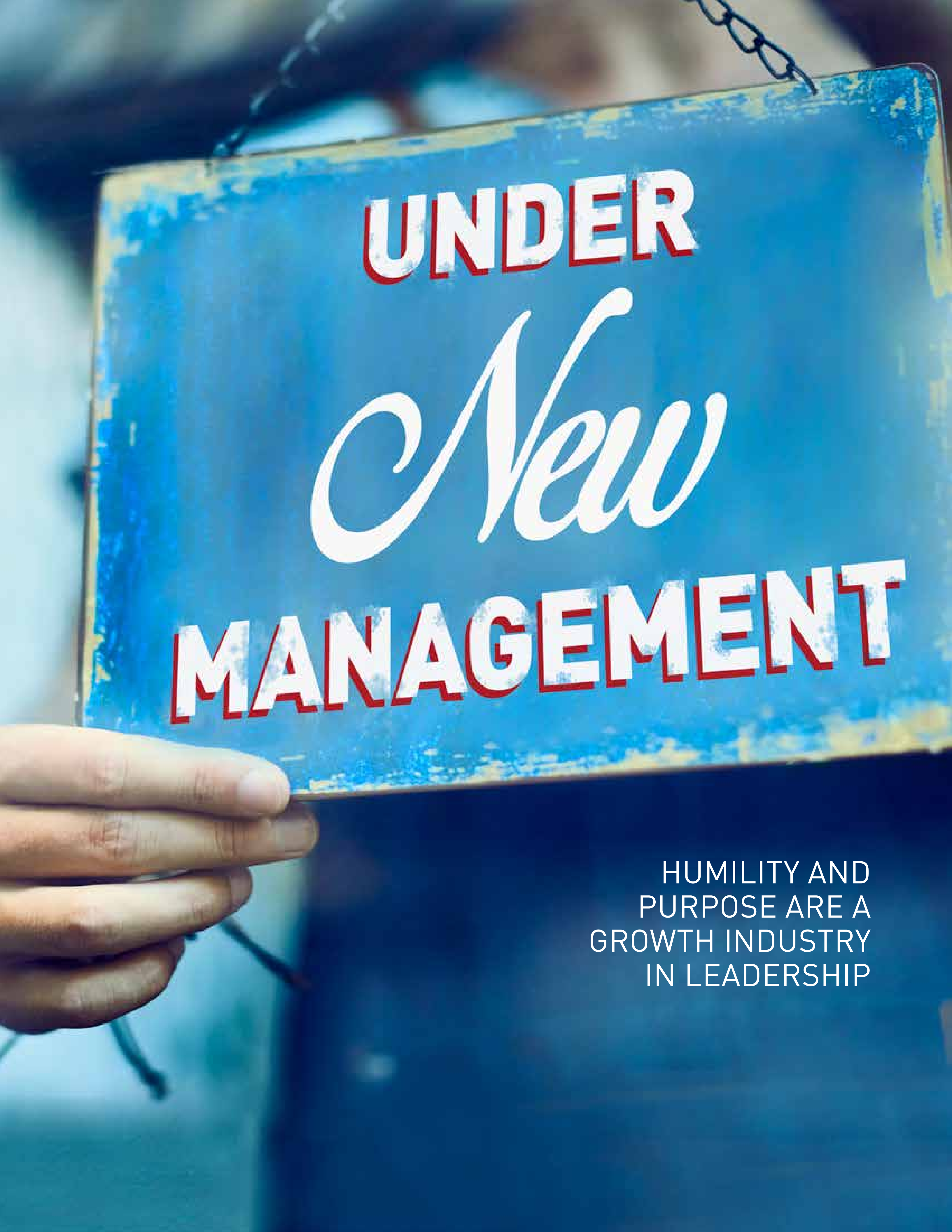
It may resemble Aledade, Inc., which has grown to cover more than 240,000 patients in 15 states. Since 2014, the company has built a platform of Accountable Care Organizations (ACOs) that help medical practices and health plans monitor and improve both quality and costs of care. By using existing electronic records to create alerts when a patient visits a hospital or emergency room, the platform enables sharing of prescription data, patient histories and specialist conditions among local hospitals and health plans. For older, higher-risk patients, this kind of information can be fundamental but difficult to track.

The platform uses technology to prioritize cases and identify risks via scoring, and is designed to improve coordination and efficiency. It emphasizes wellness visits and prevention, ensures chronic care maintenance and closes gaps in timing and care.

Athenahealth estimates that more than 700 ACOs have formed since 2011, generating Medicare savings of roughly $400 million. The ACO model tracks the impact of treatments at the personal level and has built a metric that recognizes the cost savings when a future hospital visit can be avoided by addressing a potential health problem during a wellness visit.

Whose data will record the number of emergencies that data prevented?

David Wallace consults on content strategy and corporate innovation. He has contributed to Reuters, The New York Times and Knowledge@Wharton and lives near Boston.



HUMILITY AND PURPOSE ARE A GROWTH INDUSTRY IN LEADERSHIP

David Bunker

In a world where everything from razor blades to music is sold as a service, customer-centric business is having a moment. Today, every company depends on service delivery. That's one reason why there's a spotlight shining brightly on the management theory of "servant leadership."

Retail companies from The Ritz-Carlton hotel chain to Nordstrom offer some of the best examples. The individual legends of these two firms go back decades, built on equipping and empowering workers to handle just about any customer request. Proponents say this philosophy will transform the American workplace during its generational change.

"The younger generation in the workforce is going to force this shift more rapidly because they are looking for purpose, they are looking for the why," says Patricia Falotico, a former IBM executive and CEO of the Greenleaf Center for Servant Leadership.

> **"Through the years, servant leadership has taken on several names and been rediscovered by new generations of executives.**

This approach may seem novel to managers who weren't around in the 1970s, when the credo of servant leadership first gained attention. Through the years, however, servant leadership has taken several names and been rediscovered by new generations of executives. Iterations include "Leading from below," "Humble leadership" and "Purpose-led."

Servant leadership appeals beyond the interests of those workers who share a mission with the firm. It can also extend to employee ownership and participation at a strategic level when lines of communication are opened from the frontlines to the C-suite.

The idea of servant leadership is often demonstrated by taking the corporate organizational chart and flipping it into an inverted pyramid. Frontline employees who serve customers are at the top of the pyramid and leaders from the executive team at the bottom. The company's CEO is at the base, supporting everyone else.

EMPLOYEE ENGAGEMENT

Management at Ritz-Carlton hotels has been recognized as among the best in servant leadership. The company attributes its success to empowering and engaging its workforce. It has one of the lowest employee turnover rates in all of hospitality at 18%, compared to 158% industrywide for frontline workers, 136% for supervisors and 129% for managers.

The company correlates employee engagement to customer engagement. They hire only 1 out of every 20 applicants and screen all employees. Not surprisingly, employee engagement leads to greater customer engagement. This equates to higher profits.

One Ritz-Carlton customer told *Gallup Business Journal* a number of years ago how she arrived with a headache after long flight delays. Asked how her day had been, she replied that she was wiped out. The front desk agent offered to draw a bath for her or arrange for a massage, but these suggestions were too overwhelming. She just wanted to rest or sleep. So, he brought her a scented candle. That small effort created a lasting and emotional connection.

The hotel credits its employee engagement metric for creating and sustaining staff members who are tuned in to the customer experience and can come up with a meaningful response in the moment.

All Ritz-Carlton employees are permitted to spend as much as $2,000 to improve the experience of any guest. Its employees go through a two-day orientation and training program. They are certified after 21 days and have to be recertified annually. The company is ranked by *Training* magazine as having the best employee training program in the US.

Great service often means a personal response. Customers appreciate exceptional service, and often that means going beyond brand representation to being unique or caring.

DISMANTLING COMMAND-AND-CONTROL

A 1970 essay by Robert Greenleaf is credited with examining the preconceptions surrounding leadership, particularly the personality-driven leader who is assumed to have inherent skills or the idea that power-driven executives lead best.

Following World War II, many companies employed a military model in which strong leaders ordered subordinates and dictated terms. Since then, some people have mistaken humble leadership as a weakness. When outcomes matter more than process, who gives an order is less important than the right task being executed correctly.

Prof. Robert Liden, who teaches management at the University of Illinois at Chicago, studies the history of leadership. He's found connections in transformational leadership that have spurred organizational change. He says the concept of servant leaders promotes personal growth and the development of individuals. Examples come from around the world, regardless of variables such as age, national culture, industry or gender.

"Servant leadership is rising in terms of implementation in organizations and in research by academics," he says. He adds that this leadership style has been shown to improve "teamwork, team performance, firm performance, trust in management and the size of applicant pools."

THE CEO WHO TOOK POPEYES FROM ALSO-RAN TO BUYOUT PRIZE

David Bunker

Former Popeyes CEO Cheryl Bachelder oversaw the company's rebound and 2017 sale.

In 2007, Popeyes Louisiana Kitchen was a fast-food franchise under pressure with a company stock price that had lost more than half its value. Its sales and profits were shrinking.

Rather than coming from a recent success, the company's new CEO, Cheryl Bachelder, had been fired as president of rival Kentucky Fried Chicken. She took over as president of Popeyes' restaurant operations and CEO of the parent company.

From that entry, Bachelder developed a leadership philosophy that supported an impressive turnaround. After six years with Bachelder at the helm, the New Orleans-themed restaurant's stock soared 450%. The company achieved a 40% increase in profits and a 25% increase in restaurant sales.

"Popeyes' performance results have been remarkable," wrote Bachelder in her book *Dare to Serve* about servant leadership. "I only wish I had been humbled sooner."

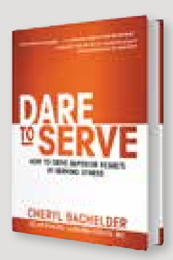
Patricia Falotico, CEO of the Greenleaf Center for Servant Leadership, says effective companies focus on employee success, ensuring they are energized, engaged and empowered, giving them the resources to meet and surpass client needs.

"The thing that I like to ask organizations is, 'How well do you grow your people?'" says Falotico.

Bachelder credits the leadership model in helping to build trusted, collaborative relationships with franchise owners and confidence in innovative recipes, showcasing the company's distinctive Cajun style. Her team's growth strategy made Popeyes the second-largest US quick-serve chicken franchise.

In spring 2017, Popeyes was sold for $1.8 billion to Restaurant Brands International, owner of Burger King.

"Few things are as clarifying as losing your job. Your confidence is shaken. This was supposed to be my pinnacle position—my day in the spotlight. Perhaps that was the problem. The spotlight was not where I was supposed to be," Bachelder wrote.



Bachelder now offers tutorials on servant leadership and is a keynote speaker about her experience.

CHANGING THE COMPANY, CHANGING THE VIEWPOINT

TDIndustries, a Texas-based equipment service company, has made *Fortune* magazine's "100 Best Places to Work For" every year over the past two decades that the list has been published.

TDIndustries founder Jack Lowe once read and distributed copies of Greenleaf's writings to colleagues and managers. Since 1972, the practices have been "woven into every part of our organization," says Hattie Peterson, a company senior vice president.

The leadership model is not just a management style. It helped the company weather an economic storm that competitors did not survive, says Peterson.

"In the 1980s, the Texas banking industry nearly collapsed, and the financial crisis caused nine of the 10 largest banks to fail. Five of the six largest mechanical contractors in Texas were forced to shut down their businesses," says Peterson, via an email interview with *ThinkSet*. "To avoid closing their doors, TDIndustries' leaders knew they would have to take drastic measures."

The most promising option was to terminate the company's pension plan, which was overfunded by $1 million, and use the funds to keep the business afloat. The move was a leap of faith for employees and required a vote that approved it by an overwhelming margin. Today, the company offers 300 training courses to its staff and requires 32 hours of training for every partner—unusual in a construction industry known for worker turnover.

In other mission-driven companies, improved team structure, better recruitment and referrals are among the fuels for growth, say supporters. Another difference is opportunities for workers to advance on the skills and career ladder. This is an especially crucial move in the face of automation and remote work.

A PricewaterhouseCoopers report entitled *Workforce of the Future: The competing forces shaping 2030* urges business leaders to emphasize people skills and lifelong learning.

"Organizations can't protect jobs that are made redundant by technology—but they do have a responsibility to their people. Protect people, not jobs. Nurture agility, adaptability and re-skilling," it said.

CEOs of US-based companies with global impact are also recognizing the need to embrace some of these leadership tenets and stake out positions on issues affecting their customer's community or interests outside the company. Recent examples include tweets by Apple CEO Tim Cook supporting protection for children of US immigrants known as "Dreamers," and a public stand by Salesforce CEO Marc Benioff supporting rights of gay, lesbian and transgender citizens.

Thinking beyond the boardroom or the workplace is how Howard Schultz, executive chairman of Starbucks Corp., describes this style of leadership. In a speech to the London Business Forum, he explained that culture and profits were not enough, that to be a success in today's world, "the company (has to) stand for something in addition to making money."

David Bunker is a Northern California-based journalist who has written for Comstock's Magazine and Entrepreneur.com. He is a contributing editor to Tahoe Quarterly.

Who's Calling the Shots?

Contingent workers, alternative workers, not employees or top management

Jeff Antonelli

The word "temp" used to conjure images of a fresh-faced college graduate seeking a start, a bow-tied accountant who came in to help during tax season or seasonal help at a retail store.

Yet, in 2015, the US Government Accountability Office said that as much as 40% of the US workforce can be characterized as "contingent," defined as workers paid on a project basis, those who work as contractors or those who otherwise are not employed full time. The sheer number of these "flexible" workers demonstrates the trend by corporations toward using on-demand staffing. Companies are capitalizing on work that can be done anywhere, anytime, at the lowest price.

What's in it for these contingent workers? Do they prefer to be temps?

"They're choosing not to have a regular, standard job because they want the flexibility for work or family reasons, or because they want to be more in control over the kind of work that they're doing and the kind of projects that they're working on," says Prof. Gretchen Spreitzer, of the University of Michigan's Ross School of Business.

Why are companies working this way? The new goal for companies is to be agile and resilience, which are critical attributes when making quick course corrections instead of rigid long-range plans. Employers are "deconstructing" internal positions, functions and external services in pursuit of efficiency, flexibility and automation. This requires defining the core capabilities needed to achieve a desired outcome and then assigning the team and talent needed. The next step is modeling expected outputs.

"Another consequence is that this fluidity of talent has meant a reduced tolerance of middling performance.

The focus is on outcomes—not individual people or locations.

One sure winner is the staffing or placement business. A 2013 study from the University of Pennsylvania's Wharton School found that US staffing agencies have grown into a $300 billion industry—roughly the size of the market capitalization of Oracle Corp.

Another consequence is that this fluidity of talent has meant a reduced tolerance of middling performance.

Martin Burns has led recruiting at fast-growing tech companies including Mobiquity Inc. and online talent search for PricewaterhouseCoopers. He explains that competition for talent has led to the pursuit of top performers or those not actively seeking new prospects.

In addition, role- or task-based compartmentalization in services or creative work is easier than ever, unlike in manufacturing.

"These are complex problems because of the opportunity to make technology work into lots of small projects through remote work and automation," Burns says. "There is a hidden economy. It's global. People may care less about where the work is done than in getting tasks done."

Burns notes subtle ethics issues are involved in hiring contingent workers. He points to 99designs.com for

design work or Amazon Mechanical Turk—on-call, low-cost options for tasks or projects. Hiring unseen workers anywhere in the world risks what he calls "digital colonialism."

If a US company hires an offshore contractor, or a restaurant hires a visiting worker, is that a savings for the company or unfair exploitation of a wage differential that hurts local talent? The ethical and reputational effects of staffing decisions, even at blue-chip companies, can result in collateral damage to even the most well-considered staffing and work plans.

Jeff Antonelli is a Berkeley Research Group director based in Chicago, specializing in talent development and organizational design. He has worked with Deloitte and with corporations including Northrop Grumman Corp. and Caterpillar Inc.

SHOULD YOUR COMPANY ADD CONTINGENT WORKERS?

Here are some things to consider about the future of your business and best practices in staffing:

UNDERSTAND THE PROS AND CONS

Define the organizational benefits of workflows and staffing. Support claims of improvement by multiple metrics, such as speed, expense and outcome. Recognize your team's needs and explore different options for adding talent as needed.

CONSIDER THE IMPACT ON CULTURE AND TRAINING

Increasingly, the relationship between a company and a contingent employee is transactional. Perks such as travel, conference attendance or specialized training that were once part of "seniority" now require a different yardstick. The risks of a bad cultural fit increase with skilled, in-demand freelance workers. Previous work projects, popularity of being in demand and an ongoing need for work may lead them to seem disengaged or difficult, Spreitzer notes: "Organizations have to be careful that they're not hiring prima donnas."

MIX WELL

Develop smooth onboarding and offboarding processes, especially if there are prospects for long-term roles or for more involvement with the organization. Speed of onboarding is important, and an easy transition makes workers willing to return.

China's Plans and the Unknown Global Impact

Growing influence, shifting signals, competing demands

Ben Yeung and Stuart Witchell

China's intention of a more powerful, independent role on the world stage is taking shape. Yet the country's leaders also have to balance multiple priorities, from fine-tuning the massive domestic economy to defining more clearly the roles that will be played by private companies. There are also social issues including feeding its people, improving its energy supply and reducing pollution.

The October 2017 Party Congress cemented key central Politburo roles for the next five years and indicate some subtleties of the national agenda.

How these interests progress will offer insights on Chinese local, national and global priorities. Support for the president and a unified mission was no surprise, though Beijing's official language reflects a fervor not seen for decades.

Clues emerged from the retirements and selections of officials who gained in rank or lost stature. Events at the Communist Party Congress make careers and set events in motion that can take a decade to materialize.

> "…every well-considered plan has unexpected outcomes.

New models may emerge for reforming state-owned enterprises (SOEs), a slow process to unlock yet more economic power. Although bank loans and subsidies have kept those industries alive, they support countless jobs. Private investment in these national entities could be seen as selling state assets and crown jewels, if not handled wisely.

National projects on food cultivation, transport and clean energy are for domestic benefit. An estimated 80% of jobs and much recent economic growth can be attributed to the private sector. Party officials also seek to balance social stability by supporting state enterprises, for example, which dominate the oil and gas, banking and telecommunications sectors.

China's international showcase is One Belt One Road (OBOR), also called the Belt and Road Initiative (BRI). Contracts have already been signed worth more than $1 trillion covering more than 60 countries. And yet, policies to rein in capital flight have affected many investments in the past two years, with some Chinese counterparties unable to clear administrative obstacles to move currency abroad.

On the back of OBOR, Citibank won a contract from Bank of China to handle a $3 billion bond offering in April 2017. Other follow-on activities are expected with opportunities for international banks, law firms, insurance companies and professional services providers. Gigantic pools of money are queueing for investment worldwide.

It is worth noting, however, that every well-considered plan has unexpected outcomes.

Companies and executives were caught off guard by China's crackdowns and anti-corruption efforts. One unanticipated consequence was a reduced appetite for luxury goods in major cities, after such consumption was vilified by Communist Party leaders. The anti-corruption campaign is expected to continue, with some speculation that it will shift focus toward grassroots, local levels of government and party officials. These are the contacts ordinary people interact with every day and any sustained campaign would be most gratifying to the populace.

A Bank of America/Merril Lynch report found government bank deposits in China rose as a result of the campaign because even honest officials feared initiating major projects that might draw attention. Others were concerned by the need for long-term political support. Billions in spending would be delayed or deferred, the study estimated, if even 1% to 2% of anticipated spending got idled.

Navigating multiple competing initiatives will challenge even the most seasoned player. Double-digit economic growth in China made for relatively easy success stories. Early wins led to overconfidence, precisely at the time when 'get-rich quick' schemes in real estate, cryptocurrencies and even Ponzi schemes emerge to separate commerce from speculation.

Now the work gets harder, requiring more than consumers, rising incomes and demographic trends, which will move strongly against China's favor in the decades to come. Any hiccups within the Chinese economy will be felt globally in an interdependent world economy.

So, be prepared for everything to change, in case it all happens at the same time.

Stuart Witchell is a managing director in the BRG Hong Kong office. He spent 17 years as a diplomat in the British government's Foreign and Commonwealth Office.

Ben Yeung is a BRG director in its Global Investigations + Strategic Intelligence practice for Asia Pacific, based in Beijing and Hong Kong.

Reinventing Business Education

Moving beyond the MBA in a changing world.

Hugh Courtney

The University of Wisconsin-Madison made headlines in October by announcing that it was eliminating its full-time MBA program. Days later, the university reversed its decision in the face of opposition from students and alumni. Elsewhere, Wake Forest University and the University of Iowa have chosen to exit the full-time MBA business.

Any business school student should be able to tell you that these strategic choices are driven by fundamental shifts in the supply-demand models for business education. The quality of part-time online MBA programs has improved in the past decade, as has the availability of low- and no-cost business education sources, particularly online.

Globally, applications to full-time MBA programs for 2016-17 grew by **6%**, and in Asia by **13%**. Smaller US schools with fewer than **200** MBA students saw a drop in applications.

The basics of business education are becoming commoditized. Lessons from other industries point to a need to unbundle, customize and upgrade the MBA's components. Unpacking it may help keep motivated workers on the job instead of exiting or cutting their schedules to pursue their degrees.

Management is an applied discipline that is learned best when there is a close tie between the curriculum and real work. Most full-time MBA programs include experiential learning, but many students have limited business and life experience to maximize the benefits from their classes. Far too often, those students leave business school with only a superficial understanding of key concepts. As a result, they may overestimate their ability to lead complex organizations.

Lifelong learning is vital to career success

Full-time MBA programs are large, complex products that we pretend can be easily consumed and digested by inexperienced students in a period of two years. Today's managers need to retool repeatedly as technology and industries undergo multiple transformational changes. Delivering content that customers need, when they need it and through affordable, convenient new channels, is the business school challenge.

Universities and their business schools must move aggressively to provide their courses and course modules to learners outside of traditional degree programs. For example, Northeastern University and the University of Illinois offer a variety of certificate programs, consisting of three to five related courses. These bundles focus on core business theory and application domains, such as corporate finance, supply chain management and business analytics.

"Far too often, students leave business school with only a superficial understanding of key concepts.

Courses are drawn from MBA and MS degree programs. Students are held to the same standards as those seeking degrees. Importantly, students can apply credits from these programs to related MS and MBA programs later. The time period and sequences are dictated less by the institution than by each student's work requirements and learning needs.

This model works for learners and employers. Students tend to learn more by matching coursework with new challenges at work. Business schools benefit from "reuse economics," where they can sell coursework in different contexts and diversify the ways of recovering course development costs.

The on-campus MBA was a product of its time, when low-quality correspondence courses were the primary alternative to on-campus immersive programs. Times have changed. The ivory tower is no longer immune to forces of market maturity and new technologies. One result is that professors are now experiencing an industry's transformation instead of studying it.

Hugh Courtney served as dean of the D'Amore-McKim School of Business at Northeastern University in Boston from 2012 to 2017, where he is a professor of strategy and international business. He is a former strategy practice consultant for McKinsey & Company and served as chairman of a publicly traded telecommunications company.

READ

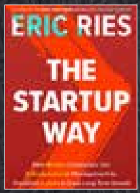
BOOKS

The End of Ownership - Personal Property in the Digital Era

Aaron Perzanowski and Jason Schultz

Owners and buyers no longer control items now that so many goods are governed by user agreements or software licenses. New models of control and usage now apply to cars, appliances and even agricultural seeds. These new contracts have consequences, which Perzanowski and Schultz explore with implications for manufacturers and consumers.

Purchase on Amazon



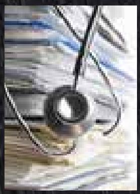
The Startup Way

Eric Ries

Large companies are recognizing the need to adapt faster and perform like startup. Some are partnering with newer ventures, but Ries says the future belongs to a lean management model of experimenting, testing and refining to seize opportunities. Examples from Toyota, General Electric and other multinationals show the power of a Minimum Viable Product to spur action.

Purchase on Amazon

BRG INSIGHTS



The Affordable Care Act's Second Act

Laura D'Andrea Tyson

Federal flexibility and lower-cost state healthcare delivery systems are among the options to improve productivity in the next chapter of the Affordable Care Act, according to this article from Laura Tyson, a BRG special advisor. She served as chair of the Council of Economic Advisers under President Bill Clinton and now heads a study center on social impact at the University of California at Berkeley's Haas School of Business.

More info at ThinkBRG.com

What Changes to Lease Accounting Mean for M&A Transactions

Phil Hersey, Heiko Ziehms, and Anna Hartley

This article from World Accounting Report discusses changes to IFRS 16 Leases and the effects on accounting strategies starting January 1, 2019. The authors detail how businesses will implement these changes and possible implications for M&A transactions.

More info at ThinkBRG.com

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THINKSET PODCAST

Joe Bohling - Leadership Strategies of the Future
Episode 6

Talent development encompasses operations, recruiting, health and wellness, performance improvement, training and communications. BRG Managing Director Joe Bohling has helped organizations improve efficiency and retain top executives. His "Sustained Peak Performance" model builds on more than 20 years of experience as chief human resources officer at Aflac Inc. and other Fortune 500 companies.

Edward Buthusiem - The Materiality Trap
Episode 7

Multinational corporations are expanding into services and other offerings without preparing for regulatory or legal boundaries. Legal action by unhappy clients in one segment can have financial impact on the corporation. BRG Managing Director Ed Buthusiem calls this "The Materiality Trap." He is a leader of the firm's Corporate Compliance & Risk Management practice.

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Now in its 36th year, this is the largest US event on healthcare and healthcare technology investment. More than 400 companies, both public and private, are expected to deliver presentations for an estimated 8,000 attendees.

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CFOs and COOs Forum 2018

BRG Managing Director Finbarr O'Connor is speaking on navigating the lifecycle stages of a private equity fund.

Learn more about the event

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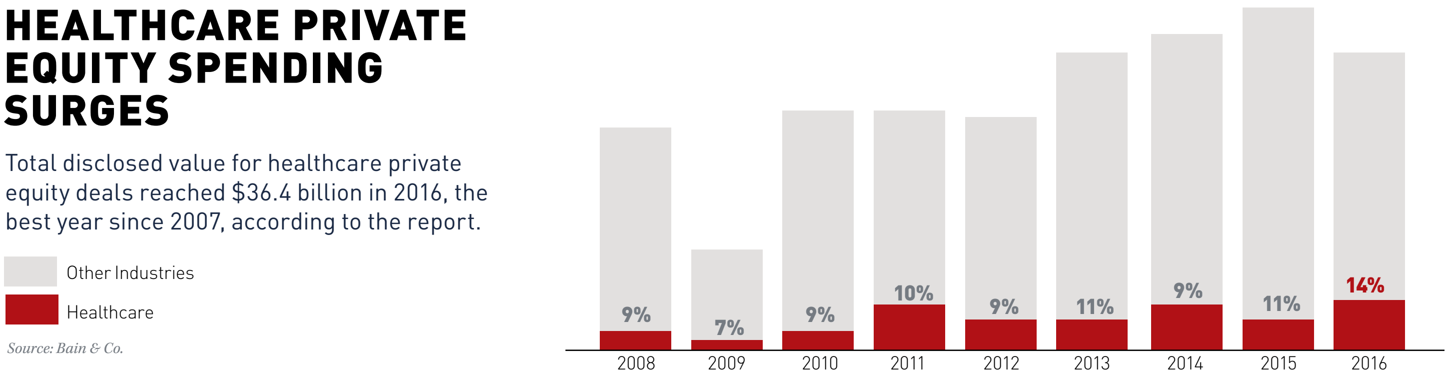
Data, Devices, Services Luring Medtech Investors

Medical pros also looking to business careers

HEALTHCARE PRIVATE EQUITY SPENDING SURGES

Total disclosed value for healthcare private equity deals reached $36.4 billion in 2016, the best year since 2007, according to the report.

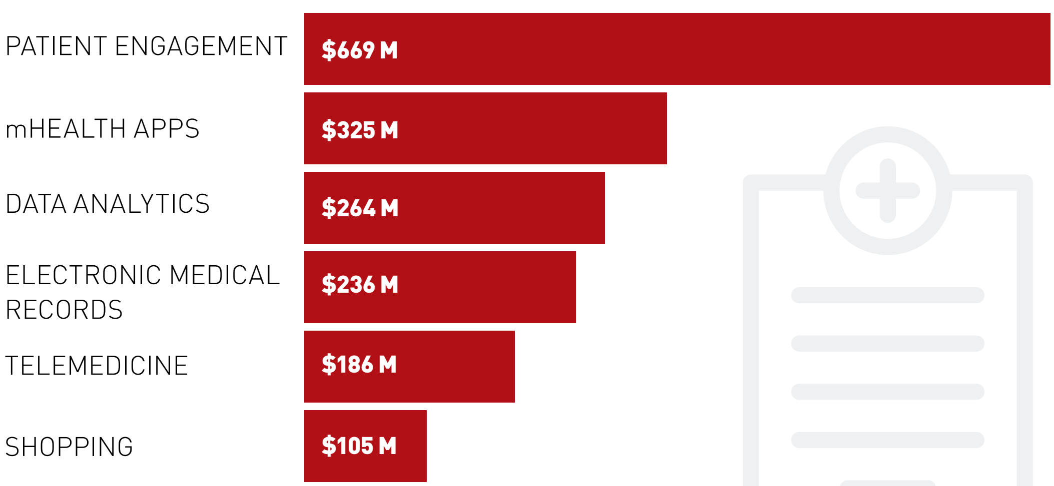


Source: Bain & Co.

In the first half of 2017, $3.5 billion was invested in 188 digital health companies, setting a record for number of companies funded and total amount invested.

Source: Rock Health

TOP-FUNDED HEALTHCARE IT / DIGITAL HEALTH CATEGORIES



Source: Mercom Capital Group

In 2016, venture capital funding in healthcare companies surpassed $5 billion for the first time after hitting $4.6 billion in 2015 and $4.7 billion in 2014, according to Mercom Capital Group.

Source: Mercom Capital Group

DOCTORS TRADING LAB COATS:

The Association of American Medical Colleges projects a nationwide deficit of as many as **100,000** doctors by 2030.

13.5 % of medical students plan to seek a nonclinical job within three years. That's up from **9.9%** in 2012.

Source: Bloomberg Businessweek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