The Power of Servant Leadership to Transform Health Care Organizations for the 21st-Century Economy

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Physician leadership is emerging as a vital component in transforming the nation’s health care industry. Because few physicians have been introduced to the large body of literature on leadership and organizations, we herein provide a concise review, as this literature relates to competitive health care organizations and the leaders who serve them. Although the US health care industry has transitioned to a dynamic market economy governed by a wide range of internal and external forces, health care organizations continue to be dominated by leaders who practice an outmoded transactional style of leadership and by organizational hierarchies that are inherently stagnant. In contrast, outside the health care sector, service industries have repeatedly demonstrated that transformational, situational, and servant leadership styles are most successful in energizing human resources within organizations. This optimization of intellectual capital is further enhanced by transforming organizations into adaptable learning organizations where traditional institutional hierarchies are flattened and efforts to evoke change are typically team driven and mission oriented.

During the past decade, the health care service industry transitioned from a risk-free third-party reimbursement system to a market economy for many internal and external reasons. These reasons include the ever-increasing costs of health care, increasing payer power, increasing financial risk for the patient and provider, the advent of managed care, the market influences of the Balanced Budget Act of 1997, the Institute of Medicine\(^1\) reports on hospital medical errors and follow-up recommendations, and the influence of organizations such as the Midwest Business Group on Health and The LeapFrog Group for Patient Safety.\(^2\) For the near future, as long as large employers like General Motors continue to pay more for health care than for steel, market forces will continue to reshape the health care sector.\(^3\)

Despite these market changes, health care organizations in the United States continue to be dominated by (1) leaders who practice an outmoded transactional style of leadership and (2) organizational hierarchies that are inherently stagnant. Non–health care service industries have repeatedly demonstrated that for businesses to compete successfully in a market economy, effective leadership is essential. Furthermore, certain leadership styles and competencies have been identified as most effective; most of these skills belong to the styles termed transformational, situational, or servant. We believe that a synergy of these complementary and often synonymous leadership styles is emerging as the advocated mode of leadership for the competitive 21st-century organization. These styles engender the transformation of organizations into thriving, cohesive, mission-oriented learning organizations.
Kanter advocates that competitive organizations will be driven by a sense of urgency; have flatter, leaner hierarchies dominated by teams rather than individuals; promote greater risk taking, leading to broad-based empowerment of the entire workforce; delegate managerial authority to the lower levels of the organization; and eliminate unnecessary interdependence between individuals or groups. Likewise, Kanter advocates that competitive organizations will be fast and flexible. The adaptable organizations she describes manifest the following 5 critically important characteristics: great flexibility, commitment to the individual, superior use of teams, strong core competencies, and a taste for diversity. In her words:

The greatest impediments to change and the greatest obstacles to an organization’s success lie within the organization itself. The challenge for senior management is to determine how to eliminate the impediments and the obstacles...in other words, to change an organization, start with behaviors, and especially with senior management’s modeling of desired behaviors.

Beckhard and Pritchard note that a healthy organization has a strong sense of purpose. The dominant form of management is team driven, with evidence-based decision making in a continuous learning mode. Employees are empowered to make decisions. The corporate structure rewards innovation, and its policies respect work-family tensions.

Pfeffer contends that successful firms will build relationships with employees and customers by implementing high-performance, high-commitment work practices. In his view, cultural change and organizational capability are more important than technology or strategy for firm success. He states that retention of customers and employees will be the hallmarks of the successful 21st-century firm, because customer acquisition is much more costly than customer retention and because employees represent the most important asset of the firm, ie, knowledge. His research delineates the following 7 dimensions that characterize systems that produce profit by placing a premium on the importance of their employees: employment security, selective hiring of new personnel, self-managed teams and decentralization of decision making, compensation dependent on organizational performance, extensive training, reduced status distinctions and barriers across all corporate levels, and extensive communication of financial and organizational performance.

In keeping with these philosophies, spiritual writer Robert Greenleaf challenged organizations to become servant organizations. He believed society would be fundamentally changed for the better if model servant organizations functioned in the fields of business, education, health care, and religion. In his view, servant organizations would perform the following functions:

- Listen receptively to what individuals have to say.
- Accept individuals and have empathy for them.
- Model foresight and intuition.
- Reward awareness and perception.
- Develop highly effective powers of persuasion.
- Demonstrate an ability to conceptualize and to communicate concepts.
- Live out an ability to exert a healing influence on individuals and institutions.
- Build community in the workplace.
- Encourage the practice of contemplation.
- Recognize that servant leadership begins with the desire to change oneself.

**COMPETITIVE ORGANIZATIONS**

To understand the types of leadership styles that engender success, it is necessary to understand the characteristics of competitive organizations. Because the rate of change in a market economy will only accelerate and rarely, if ever, slows down, Miller contends that the successful organization will resemble a chameleon, an “ultimately adaptable organism.” Kotter also advocates an “adaptive corporate culture” through continual transformation. He notes that competitive organizations exhibit a persistent sense of urgency; have flatter, leaner hierarchies dominated by teams rather than individuals; promote greater risk taking, leading to broad-based empowerment of the entire workforce; delegate managerial authority to the lower levels of the organization; and eliminate unnecessary interdependence between individuals or groups. Likewise, Kanter advocates that competitive organizations will be fast and flexible. The adaptable organizations she describes manifest the following 5 critically important characteristics: great flexibility, commitment to the individual, superior use of teams, strong core competencies, and a taste for diversity. In her words:

**BARRIERS TO SUCCESSFUL ORGANIZATIONAL CHANGE**

For the health care industry to adapt to its new market environment, organizational change is necessary. To a major degree, the primary mission of health care has been increasingly subordinated to the complexities and inflexibilities of its reimbursement system. Like large corporations, health care systems, especially those that have grown because of past success, have institutionalized an overemphasis on man-
ment, can effectively drive this process. In Kotter quality leadership, above and beyond excellent manage
overwhelm the sources of inertia; and (2) only high-
process must create sustained power and motivation to
veal the following 2 important patterns: (1) a multistage
notes that most successful transformational efforts re-
each stage must be solidified before tackling the next. He
that these initiatives should be a sequence of linked stages;
prime a premature victory, and (8) neglecting to anchor
changes in the corporate culture.

He emphasizes that the creation of urgency is par-
ticularly important in the initial attempt to change cul-
ture. Most leaders overestimate their ability to force large
organizational changes and underestimate how difficult
it is to drive people out of their comfort zones. Given the
combination of risk-averse physicians and the conserva-
tive orientation of health care systems management, estab-
lishing and maintaining a high sense of urgency is
necessary to stimulate the extra effort and sacrifices needed
to transform the status quo. In fact, Kotter emphasizes
that these initiatives should be a sequence of linked stages;
each stage must be solidified before tackling the next. He
notes that most successful transformational efforts re-
veal the following 2 important patterns: (1) a multistage
process must create sustained power and motivation to
overwhelm the sources of inertia; and (2) only high-
quality leadership, above and beyond excellent manage-
ment, can effectively drive this process. In Kotter’s ex-
perience, failure to create this type of multistage process leads to the following consequences, all of which are ger-
mane to today’s health care delivery systems: poor imple-
mentation of new strategies, failure of acquisitions to
achieve expected synergies, reengineering that takes too
long and costs too much, failure of downsizing to con-
trol costs, and failure of quality/performance improve-
ment efforts to deliver planned results.

**LEADERSHIP VS MANAGEMENT**

Fundamentally, management is about coping with com-
plexity (control), whereas leadership is about transforma-
tional change. The balance/friction between these 2
necessary functions is crucial, as demonstrated in the fol-
lowing tabulation:

<table>
<thead>
<tr>
<th>Leadership</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setting a direction</td>
<td>Planning and budgeting</td>
</tr>
<tr>
<td>Aligning people</td>
<td>Organization and staffing</td>
</tr>
<tr>
<td>Motivating people</td>
<td>Controlling and problem solving</td>
</tr>
</tbody>
</table>

Good management brings the degree of order and con-
istency necessary for corporate survival, especially with
the emergence of large organizations in the 21st cen-
tury. However, organizational form should always fol-
low function; therefore, management should always take
its cues from its organizational leaders. Kotter believes that most US corporations are overmanaged and underled. This imbalance routinely leads to the “cess-
pool syndrome,” a condition characterized by organiza-
tional inertia and mediocrity.

Academic medical centers, unfortunately, are often
excellent examples of large bureaucracies that are over-
managed, underled, and rife with inertia and mediocrity.
Only with strong leadership will organizations continue
to adapt effectively in response to a changing external en-
vironment (eg, a competitive market economy). Kotter
provides an excellent military analogy: “A peacetime army
usually survive with good administration and man-
agement up and down the hierarchy, coupled with good
leadership concentrated at the very top. A wartime army,
however, needs competent leadership at all levels. No one
yet has figured out how to manage people effectively into
battle; they must be led.”

**ATTRIBUTES OF SUCCESSFUL LEADERS**

People usually recognize leadership when they see it; de-
fining it, however, can be difficult. Attributes of success-
ful leaders that commonly appear in the literature are pre-

| Table. DePree advocates a similar list of attributes but starts with this explanation: “Above all, lead-
ership is a position of servanthood. Leadership is also a pos-
ture of debt; it is a forfeiture of rights.” Gregersen and col-
leagues and Row emphasize that executives will be
leading organizations into “new, unmapped outposts of the

global marketplace,” necessitating that they be akin to the
Old World explorers. At FedEx, a company known for crisp
execution, all employees are encouraged to become leaders
and to consider management possibilities; the company
has formalized programs for employee leadership de-
velopment and advancement.

Paine asserts that leaders must embody ethical be-

| havior and that this demonstration of personal ethics is

| crucial for the development of organizational integrity; high
| levels of organizational integrity enhance company ethos, esprit de corps, and, ultimately, efficacy. Simi-
| larly, Badaracco states that managers become leaders by
| translating their personal values into calculated ac-
| tion; defining moments for leadership development force
| a balance between idealism and reality, and the effect on
| the organization is real. Carlson and Perrewe point out
| that to remain competitive, many leaders are faced with
| the challenge of creating an ethical environment within
| their organization. They contend that this type of trans-
| formation occurs via the following 4 key behaviors: com-
| munication of the vision, support and reward for follow-
| ers of the vision, consideration of and concern for
| employees, and fulfillment of commitments. Clearly, there
| is a significant moral component to all of these leader-
| ship styles.

Goleman argues that many of these attributes con-
stitute the sine qua non of effective leadership: emotional
intelligence. He believes that the most effective leaders score
high in emotional intelligence factors; in fact, at high cor-
porate levels, the difference between star performers and
Group emotional intelligence . . . [is] about bringing emotions deliberately to the surface and understanding how they affect a team's work. It is also about behaving in ways that build relationships both inside and outside the team and that strengthen the team's ability to face challenges.

Kets de Vries, 23 a practicing psychoanalyst, has written extensively regarding the emotional aspects of leadership. He emphasizes 2 major issues. First, he believes that the true art of leadership consists of creating an environment "where people have peak experiences, where in their excitement they become completely involved in what they are doing and lose their sense of time." This understanding of energizing leadership (or empowerment) engenders in the employees a sense of control and ownership in what they are doing, ie, "If you tell people where to go, but not how to get there, you will be amazed at the results." Second, he points out that the failure of many executives is a combined lack of interpersonal skills and self-understanding. He strongly believes that every leader would benefit from enhancing their awareness of the inner forces (the inner theater) that drive their behavior. In concurrence, Rosen 24 offers his list of leadership competencies and advocates that "learning to lead starts with getting to know yourself." He suggests closing the gap between ideal and current performance, with conscious attention to strengths and shortcomings.

Passion is a visible feature in the effective leader; without it, no matter how compelling the vision and its associated missions, necessary organizational change will not occur. Only passion has the strength of emotion necessary to overcome the twin evils of inertia and intransigence. 25

Finally, leaders must "walk the talk." Unfortunately, as James O'Toole, vice president of the Aspen Institute and director of the Corporate Leaders Forum, notes in the article by Huey, "Ninety-five percent of American managers today say the right thing. Five percent actually do it." 26 Huey 26 terms this mirroring of vision post-heroic leadership. Servant, transformational, empowered, and distributed are similar terms. He notes that real leadership embodies the core values, which necessitate that leaders progressively relinquish control. This surrender will simultaneously empower the organization. Obviously, most executives find this final step very difficult to take. Argyris 27 maintains that although top-level management often embraces the overall concept of empowerment in theory, they find it very difficult to give up the traditional command and control that they understand and trust. Furthermore, his research demonstrates that, consciously and subconsciously, many chief executive officers actually undermine the organizational transformational efforts that they espouse. Unfortunately, most physician administrators, through a combination of ignorance, inertia, and intransigence, remain rooted in the command-and-control bureaucratic structure.

### A Literature Survey of Leadership Philosophies and Leader Attributes

<table>
<thead>
<tr>
<th>Reference</th>
<th>Leadership Philosophy</th>
<th>Leadership Attributes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Row 27</td>
<td>Leadership development encouraged for all FedEx employees</td>
<td>Charisma, individual consideration, intellectual stimulation, courage, dependability, flexibility, integrity, judgment, and respect for others</td>
</tr>
<tr>
<td>DePree 15</td>
<td>Leadership is a position of servanthood, a posture of debt, a forfeiture of rights</td>
<td>Integrity, vulnerability, discernment, awareness of the human spirit, courage in relationships and the ability to make tough decisions, sense of humor, intellectual energy and curiosity, a presence in the culture, predictability, breadth of vision, comfort with ambiguity, respect for the future, regard for the present, and an understanding of the past</td>
</tr>
<tr>
<td>Gregersen et al 26</td>
<td>Leadership needed into the new, unmapped outposts of the global marketplace</td>
<td>Unbridled inquisitiveness, emotional connections with peers and employees, integrity, capacity for managing uncertainty, the ability to manage tensions, and business and organizational savvy</td>
</tr>
<tr>
<td>Paine 18</td>
<td>Leaders must embody ethical behavior</td>
<td>Modeling personal ethics</td>
</tr>
<tr>
<td>Badaracco 19</td>
<td>Translate personal values into calculated action</td>
<td>Ability to communicate the vision, support and rewards for followers of the vision, considerations and concern for employees, and fulfillment of commitments</td>
</tr>
<tr>
<td>Carlson and Perrewe 20</td>
<td>Create an ethical environment within the organization</td>
<td>Ability to communicate the vision, support and rewards for followers of the vision, considerations and concern for employees, and fulfillment of commitments</td>
</tr>
<tr>
<td>Goleman 21</td>
<td>Emotional intelligence</td>
<td>Self-awareness, self-regulation, motivation, empathy, and social skills</td>
</tr>
<tr>
<td>Druskat and Wolff 22</td>
<td>Emotional intelligence extended to team members</td>
<td>Mutual trust and a sense of group identity and efficacy</td>
</tr>
<tr>
<td>Kets de Vries 23</td>
<td>Energizing leadership</td>
<td>Allows employees control and ownership; possesses strong interpersonal skills and understanding</td>
</tr>
<tr>
<td>Rosen 24</td>
<td>Learning to lead starts with getting to know yourself</td>
<td>Practices positive one-on-one relationships, develops a diverse leadership team, diagnoses organizational health, and builds a mature, adult workforce</td>
</tr>
<tr>
<td>Fisher 25</td>
<td>Passion can overcome inertia and intransigence</td>
<td>Identifies and develops employee passion</td>
</tr>
<tr>
<td>Huie 26</td>
<td>Leaders embody core values of the organization</td>
<td>&quot;Walking the talk&quot; and giving up control</td>
</tr>
</tbody>
</table>

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Only leaders who are action oriented and demonstrate high levels of emotional intelligence will be able to lead successfully. Can these traits be learned? Two recent works describe the leadership development strategies most effective in today's corporations. Tichy29 tells of the commitment of leaders like Jack Welch, Andrew Grove, and Roger Enrico to developing leaders within their corporations. Tichy helped create leadership development cultures at General Electric and Ford. Conger and Benjamin30 advocate an action-learning approach that focuses on building competencies in emerging and existing leaders.

LEADERSHIP STYLES

Several leadership principles warrant emphasis.30 First, leaders are not independent actors; they shape and are shaped by their constituents in a mutual relationship. Second, context influences what leaders can and must do. Third, no single formula can possibly cover the wide range of situations in any organization. Fourth, ultimately, as demonstrated by Collins and Porras,31 most excellent corporate leaders of the past few decades have been “clock-builders.” They were primarily social architects who focused on designing and building an effective organization, as opposed to formulating corporate strategy or service delivery. Fifth, the entire concept of transformational leadership goes beyond the notion of mutual exchange (transaction) to that of sustainable corporate change. Transformational leadership is fundamentally relational, as it involves a “commingling of [the] needs and aspirations and goals in a common enterprise.”32,33 Furthermore, a definitive, moral dimension to this type of leadership exists, which differentiates it from heroic and transactional leadership forms.

Transactional Leadership

At present, transactional leadership is the dominant style operant in most health care organizations (eg, large systems such as academic medical centers). Transactional leadership is a relationship of mutual dependence in which the contributions of each party are recognized and, often, goals are met and rewards are delivered. However, in this paradigm, leaders are followed primarily because, given the hierarchy, it is in the best interests of the follower to do so. The transactional leadership style has many disadvantages in a market economy, not the least of which is a combination of poor satisfaction among employees and customers; this decreases customer loyalty and, eventually, profits (termed the employee-loyalty/customer-loyalty profit chain).33,34 Pfeffer,11 among others, has shown that putting employees and customers first indeed yields profitability. Until recently, there has been no practical reason to provide superior health care service in a cost-effective fashion; market share and accompanying reimbursement would not have been affected by such behavior. The transactional leadership style was adequate for health care delivery systems when the payer (mostly private industry and the state or federal government) bore all the risk; this is no longer the case.

Changing Leadership Styles

Changing from transactional to transformational leadership requires understanding and mobilization of the organization using situational leadership principles. In the mid-1980s, Hersey and others35,36 suggested that leaders are most effective when they are able to read the readiness level of the people and organizations they lead. By readiness, they mean the willingness and ability of followers to accomplish a task in a given situation. Hersey et al37 state that complex change, as occurs when an organization shifts from transactional to transformational leadership, requires a staged approach. Their situational leadership model (Figure 2) proceeds through 4 stages of leadership (telling, selling, participating, and delegating) that are matched to the levels of readiness in the individual or organization. Telling becomes the mode when followers are unable and unwilling, or insecure. In this situation, the leader is highly directive in detailing the need and plan for the organization. When followers are willing but unable, the selling mode is used to motivate and train. When followers are able but unwilling or insecure, the leader participates with the followers to build confidence. When followers are able and willing, the leader can delegate responsibility with occasional follow-up to keep the followers on course. These authors advocate 2 caveats to this model. First, the relationship between the leader and followers is crucial; without a following, there is no leadership. Second, to maximize the relationship, the leader must first determine task-specific outcomes that need to be accomplished individually and organizationally. Without clarity on issues such as outcomes and objectives, no basis exists for determining follower readiness and the matching behavioral leadership style.39

More recently, Bolman and Deal30 have asserted that changing from transactional to transformational leadership requires understanding the organization using the frame theory together with situational leadership principles. They suggest the following 4 frames or perspectives from which to view an organization: (1) The structural frame highlights the rules, roles, policies, and social architecture of the organization; in this frame, the leader's job is to analyze and design. (2) The human re-
source frame views the organization as a family with needs, skills, and relationships. The leader in this frame acts as catalyst and servant, supporting and empowering the people in the organization. (3) The political frame views the organization through the lenses of power, competition, and conflict, in which the leader is advocate and negotiator. (4) The symbolic frame points to the culture and meaning within the organization where story and metaphor create the theater in which people and processes act out the mission. The leaders in this organization serve as prophets and poets, as they frame the experience. Views through multiple frames can aid leaders in assessing situations to determine needed actions in achieving corporate change.

Transformational Leadership

A large number of authors have offered various thoughts regarding the concept of transformational leadership. Bass relates that transformational leaders may inspire, energize, and/or intellectually stimulate their employees; furthermore, they provide individual consideration for the employee's needs. He believes that transformational leadership can be learned and that “leaders at all levels can be trained to be charismatic.” Results from these various approaches should increase employee awareness and interest in the corporate vision and mission and stimulate employees to look beyond their own self-interests.

Similarly, Waldrop and Butler view the successful executive as a coach. They believe that the goal of coaching is to make the most of a team’s resources and to empower employees. Effective corporate coaches practice active listening, support learning through action and reflection, move from easy to hard when confronting entrenched behaviors, set microgoals, use “tape delay” (ie, pause for a significant time before becoming overtly angry), practice script writing and role-playing, arrange relationship-repair meetings, and encourage positive feedback.

Servant Leadership

In 1969, Robert Greenleaf proposed that the “great leader is seen as servant first.” He spent 5 decades challenging organizations in the fields of business, education, health care, and religion to become servant in nature, because he believed this would fundamentally change society for the better. He conjectured that because servant leaders take care of their followers' greatest needs first, followers “become healthier, wiser, freer, more autonomous, more likely themselves to become servants.” He later reasoned that cultural forces, such as the questioning of power and authority, would eventually lead to the emergence of cooperation and support as more productive, interactional modes of behavior.

Shriberg and colleagues also emphasize that servant leaders possess a self-awareness that their own healing is a motivation for leadership. Furthermore, servant leaders grasp that the relationship between the leader and follower is a mutual search for wholeness. The servant leader understands that the first step to leading others is the necessity to change within oneself. This line of thought sharply contrasts with the traditional command-and-control transactional leadership theories of the mid-20th century.

In summary, only through the development of the interrelated competencies inherent to situational, transformational, and servant leadership principles will health care systems survive and thrive. Prevailing transactional (commodity-driven) leadership interactions often fail to mobilize employee performance and result in customer dissatisfaction. In contrast, transformational leadership results in profit by stimulating and leveraging the most important asset of service industry corporations, ie, personal and intellectual capital.

IMPLICATIONS FOR HEALTH CARE DELIVERY SYSTEMS

Most large health care delivery systems today are in turmoil; external threats to survival continue to increase, mandating continuous, flexible internal organizational change. Nevertheless, many health care organizations (especially academic medical centers) have been resistant to transformational efforts. Unfortunately, most attempts at change have been primarily structural in nature. Restructuring requires little expenditure of political, economic, or emotional resources, and usually occurs first when change is needed; predictably, the results are usually dismal because the merging bodies never truly attempt corporate transformation. Not surprisingly, most bureaucratic restructuring, mergers, and acquisitions have failed precisely because transformational cultural change is about corporate function and relationships, not structure. Changing titles and adding or changing bureaucratic layers will add to corporate cynicism and dysfunction. In other words, adding pathology to existing pathology, in whatever form, will not result in a healthy organization. Such was the case in numerous failed mergers between large, equally stressed health care delivery systems during the past decade.

According to Hambrick and Mason, organizational outcomes such as strategic choices and performance levels commonly reflect the most powerful actors in the organization, the topmost echelon of management. Eisenhardt and Bourgeois, in a study of 8 microcomputer firms, showed that office politics arise from power centralization by autocratic chief executive officers. In their study, they demonstrated that top management often generates political behavior among subordinates, based on nonsubstantive issues like demographic characteristics (eg, age and office location). Furthermore, such politics within top management teams are often associated with poor financial performance. Bedelian and Armenakis term such organizational dysfunction the cesspool syndrome, whereby dreck floats to the top of declining organizations. Mediocre executives, threatened by talented employees, promote mediocre personnel. This practice leads to a brain drain and organizational decline; they note that this syndrome is commonly seen in large, bureaucratic organizations such as the military and universities. The cesspool syndrome is germane to the culture of large health care delivery systems. In contrast, the leadership literature focuses on how to manage creative people using prescriptive manage-
ment, ie, setting broad boundaries and allowing people to be creative within those boundaries as long as they add value to the mission.

Likewise, large health care delivery systems model the “eroding goals” system archetype described by Senge. In the application of this model, the eroding goal is the constant delivery of a product, such as health care, while ignoring the satisfaction of the individuals being served (patients) and the persons providing the service (employees). With the advent of a market economy, this type of eroding customer service will eventually lead to a decrease in profits via the well-recognized employee-loyalty/customer-loyalty profit chain. In the third party payer system, health care delivery often becomes a commodity item, and corporate market share decreases commensurately; to be competitive, Pine and Gilmore assert that organizations must ultimately transform the service delivery experience along the following progression: commodities → goods → services → experiences → transformation.

Kelley and Caplan note that in the 21st-century economy, improving the productivity of professionals must be the primary corporate initiative, because the performance of knowledgeable professionals, not strategies or technology, will make or break the business. To improve productivity, the focus must be on the leader-professional relationship. Similarly, Pfeffer demonstrates that those firms that put people first realize higher profits; this practice is simply a wise management of intellectual capital. The most abundant resource in large health care systems is intellectual capital; its proper stewardship should result in ever-increasing productivity and profit.

Pascale and colleagues advocate monitoring 4 vital signs of an organizational culture as a surveillance mechanism for corporate health (employee empowerment, employee identification with the organization as a whole, successful conflict resolution, and an organizational ability to learn). They state that as organizations grow older and larger, as evidenced in many health care organizations, organizational drift occurs as the vital signs deteriorate. Employees experience loss of empowerment and no longer identify with the organization. Conflict is routinely smoothed over rather than resolved. To combat organizational drift, they espouse the following 7 disciplines that should be embedded in the fabric of the corporate culture:

- Build an intricate understanding of the corporate business among all employees.
- Encourage uncompromising straight talk.
- Manage from the future.
- Harness setbacks by viewing them as breakthroughs.
- Promote inventive accountability.
- Understand the quid pro quo (eg, employees must receive commensurate returns).
- Create relentless discomfort with the status quo.

THE SUCCESSFUL 21st-CENTURY HEALTH CARE DELIVERY SYSTEM: A LEARNING ORGANIZATION

Given the recent history of American industry, competitive health care delivery systems can be expected to display certain attributes. These attributes describe what Senge terms the learning organization. The key attribute of learning organizations is adaptability, unlike traditional authoritarian bureaucracies that change too slowly to remain competitive in the current market economy. Generative and adaptive learning are important; the former is focused on knowledge creation, and the latter is about coping with the environment. Senge notes that the first step in the development of a learning organization is implementing and communicating creative tension (ie, the gap between an organization’s vision and reality). He contends that the primary roles of leadership include designing the social architecture, teaching reality, and being stewards of human resources. This style of leadership results in shared vision and systems alignment and is summed up in the centuries-old saying of the Chinese philosopher, Lao Tsu: “The wicked leader is he who the people despise. The good leader is he who the people revere. The great leader is he who the people say, ‘We did it ourselves.’” (Available at: http://faculty.quinnipiac.edu/libraries/tballard/quotes.htm. Accessed September 30, 2002.)

Similarly, Nahapetian and Ghoshal support the concept of organizational learning transformation by developing the hypothesis that the roots of intellectual capital formation and development are deeply embedded in social relations and in the structure of those relationships. Therefore, strategic advantage is based on social transformation of the organization, as opposed to a combination of individualistic, hierarchical, commodity-driven transactions. They maintain that those firms that generate the highest degree of social capital will be most successful at creation of new intellectual capital and eventually will capture market share. Each author notes the tremendous amount of emotional energy and commitment of time necessary on the part of leaders for such a culture to develop. Bordieu observes: “The existence of connections is not a natural given, or even a social given . . . it is the product of an endless effort . . . .” Likewise, Arthur and colleagues discuss the nurturing of intelligent careers and promote the competency-based, learning-centered view of the intelligent organization. They believe that the alignment and performance of systems will improve if individual career competencies are analogous to those of the intelligent organization that exemplifies knowing why, how, and whom.

Nonaka presents a practical proposal for implementing more effective knowledge creation and dissemination, especially in health care delivery, where most service is performed by teams. He theorizes that although new knowledge is developed by individuals, organizations play a critical role in articulating and amplifying that knowledge. He contends that a “spiral of knowledge” is created and nurtured through a dynamic and continuous “entanglement” between the individual and firm. He emphasizes that middle managers, usually the team leaders, serve as a catalyst for that spiral of knowledge to germinate up and down the organizational structure, and terms this middle-up-down management/leadership, as opposed to classic top-down or bottom-up styles. Huy supports this view; he asserts that when it comes to implementing radical change, middle managers, the team lead-
ers, have the greatest organizational impact. They serve in the organizational roles of entrepreneur, communicator, and therapist, because they understand the organizational frontline and performance delivery issues, but also maintain an objectivity that enables problem solving; because they are the crossroads of communication between the executive office and the front line; and because they are directly responsible for the emotional tenor and well-being of their teams. Organizations that provide autonomy, education, and support to teams and their leaders will profit in the turbulent health care market. Far too often in recent decades, health care providers have become mechanistic and pragmatic to the exclusion of real innovation.51

CONCLUSIONS

Transformed, servant organizations focus on the tension among service of people (employees and customers), the organization’s mission, and society. To move toward servanthood, organizations need liberating visions, a commodity still rare in corporate America.

Therefore, in answer to the question, “Why are liberating visions so rare?” one must say that they are rare because a stable society requires that a powerful liberating vision must be difficult to deliver, and that the test for the benign character of such a vision shall be rigorous. However, to have none or not enough of these visions is to seal our fate. We cannot run back to a wholly traditional society, comforting as this may be to contemplate. There must be change—sometimes, great change.52

Health care provision is the largest service economy in the United States and has an inherent servant nature. Transformation of health care organizations into learning organizations will occur only under the guidance of leaders who can amply demonstrate emotional intelligence and ethical behavior, as well as technical competencies. Furthermore, these characteristics modeled by leaders must be successfully transferred across the entire organization. Such leadership will move beyond transactional exchange to engender emotional commitment of the employees and stimulate intellectual capital. Competitive 21st-century health care firms will be characterized as adaptable, creative, relationship oriented, communicative, team driven, having flattened hierarchies, and able to retain employees and engender loyalty in customers.

Given the call to move the health care organizational culture from transactional leadership to transformational/servant leadership, how should leaders initiate change? We propose a multilevel strategy that combines a fierce resolve of primary organizational leaders (eg, level 5 leadership espoused by Collins53) with the target of a discrete department or specialty area. This approach ensures initiation of change at macro and micro levels. Second, we suggest following the change agent insights gained from research such as that of Kotter13 to create a leadership development process with an impact on every level of the organization, much like those processes adopted by General Electric and Ford. The best hope of engineering change is to create multiple advocates and champions of change throughout the enterprise.

Measures of effectiveness using internal and external comparison groups provide tangible markers for change effectiveness. A commitment to continuous improvement linked with a nonnegotiable resolve toward servant leadership creates a more responsive system. Continuous improvement programs might include process-improvement teams; utilization management reviews, benchmarking, and targeted cost management. By using these tools, health care needs are met and the opportunity for a transforming experience is created. In addition, patients enjoy improved care physically while receiving the effective, intangible benefits of customer-focused service. As patients experience the benefit of customer-focused health care, they have the incentive for choosing enhanced-quality health care over mere service for fee rendered.

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Health care, and the organizations of physicians involved, is in transition. More and more, the terms of an overall policy depend on the largesse of business. As Victor Fuchs has pointed out, employers will offer a defined benefit to employees, thus shifting the burden of health care costs. When and if the political system allows, and only then, will there be a real change toward universal health insurance. Until that time, it is important to absorb very carefully the message of Drs Schwartz and Tumblin, ie, that we must develop leadership that is transformational, situational, and servant in style so that the health care we offer can be adaptable, flexible, team driven, communicative, knowledge creative, and consumer loyal.

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