Health-focused redesign: Creating a payor organization for the future

Restructuring can help a payor become more nimble and innovative—but only if the redesign is rigorously planned to help deliver on the company's most pressing strategic imperatives and is carried out in combination with improvements to organizational health.

In this time of rapid disruption for US healthcare, senior payor executives agree on the critical importance of a cogent strategy. Our research confirms this belief: across industries, we have found that about 50 percent of the performance differential among companies results from differing strategic postures.

The other 50 percent depends on what we call *organizational health*: how well a company aligns its people, executes its strategy with excellence, and renews itself over time to sustain its desired financial and operational results. Good organizational health reflects the company's culture, behaviors, and management practices, all of which must be supported by the right organizational design (e.g., its governance, decision making, and structure).

Given industry headwinds, many payor executives are considering organizational redesigns to better align their businesses with their new strategic imperatives. While restructuring may indeed be necessary for many payors, our advice is: "proceed with caution." On its own, restructuring achieves all of its objectives less than 10 percent of the time.[1] In some cases, results are suboptimal because the new design is inherently flawed; in other cases, implementation is poor. In both cases, a common underlying problem is that the redesign focuses on the lines and boxes in an org chart and largely ignores, or merely

pays lip service to, organizational health. However, we have found that when a rigorous organizational redesign is linked with efforts to improve organizational health, companies become more nimble and innovative, dramatically increase their ability to execute strategies successfully, and create significantly more value over time.

This article describes how organizational redesign and organizational health efforts can be intertwined. First, we focus on how a company can redesign its organization while embedding organizational health as a core component. We then describe how the company can select the set of management practices that will foster the culture and behaviors needed to strengthen organizational health and allow the new design to work effectively. The result should be a company that is optimally fit for delivering against its strategy. Our approach and insights are based on deep research McKinsey has conducted, including its Organizational Health Index (OHI) survey, which currently contains more than one million responses from managers at more than 1,000 organizations around the world.[2]

What organizational health can achieve

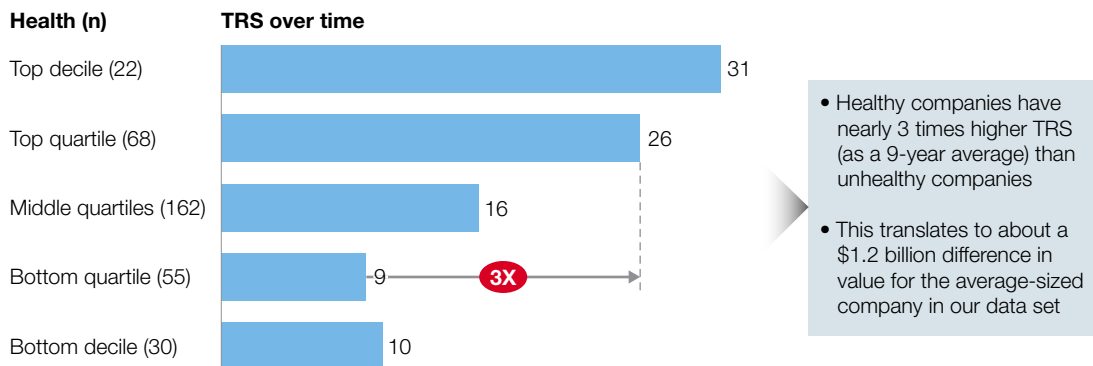Results from the OHI survey demonstrate the strong correlation between organizational

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[1]For more information about the research underlying this statement, read the December 2010 McKinsey report by Giancarlo Ghislanzoni, Stephen Heidari-Robinson, and Martin Jermlin, "Taking organizational redesign from plan to practice" (available on mckinsey.com).
[2]More information about the OHI survey can be found in the appendix, which begins on p. 147, as well as on McKinsey's Organizational Health Index website (solutions.mckinsey.com/index/solutions/organizational-health-index).

EXHIBIT 1 **Companies in the top quartile of health have higher average returns**

9-year average total return to shareholders (TRS) by deciles or quartiles of organizational health

Health (n)	TRS over time	

Top decile (22) — 31

Top quartile (68) — 26

Middle quartiles (162) — 16

Bottom quartile (55) — 9   **3X**

Bottom decile (30) — 10

- Healthy companies have nearly 3 times higher TRS (as a 9-year average) than unhealthy companies

- This translates to about a $1.2 billion difference in value for the average-sized company in our data set

n = 285 survey results from 272 companies; years studied were 2003-2011.
Source: Organizational Health Index database; Corporate Performance Assessment Tool database

health and a broad range of performance measures. For example, companies in the top quartile of health are 2.2 times more likely than unhealthy companies to earn an above-industry-average EBITDA margin. They also achieve a three times greater total return to shareholders (Exhibit 1).[3] The correlation is present in all industries and sectors—the healthier the company, the higher and more sustained its financial and operational performance.

Differences in organizational health affect performance not only between companies but also within different divisions of the same company. We have conducted controlled experiments in which we actively infused organizational health elements into performance improvement efforts at some but not all divisions of a single company. The performance-and-health initiatives delivered almost twice the impact that the performance-only initiatives achieved.

[3]For more information about the link between organizational health and performance, see the June 2011 McKinsey white paper by Carolyn Aiken, Simon Blackburn, Anders Bruun Nielsen, Elizabeth Irons, Scott Keller, Mary Meaney, Garrett Ulosevich, and Carter Wood, "How do I transform my organization's performance?" (available on mckinsey.com). More detailed information can be found in *Beyond Performance: How Great Organizations Build Ultimate Competitive Advantage* by McKinsey directors Scott Keller and Colin Price (John Wiley & Sons, 2011).

Building a nimble organization

Given the current industry environment, it is not surprising that many payors are considering significant restructuring in the belief that their organizational designs are out of date. Most payors know, for example, that they must increase their focus on the individual business unit and strengthen collaboration across key functions (network, IT, sales, etc.) to ensure that they can match their support strategy to evolving business needs. Their current organizational designs make it difficult for them to make the necessary changes. For example, their structures, processes, and incentives are impeding their ability to become more nimble, cost-efficient, and consumer-focused.

If you are concerned that your organizational design is out of date, ask yourself whether any of the symptoms listed in Exhibit 2 are present in your company. If the answer is yes,

your company probably lacks the agility needed to respond optimally to industry disruption.

If you do decide that a restructuring is necessary, perhaps the first decision you should consider is whether the new organizational design should be based on geography, segment, or product/service line rather than on function. In many companies with functional, matrixed organizational designs, P&L authority is not entirely clear or is sufficiently dispersed so that only the CEO has full authority. Consequently, crosscutting decisions must float all the way to the top unless there is full consensus at lower levels. The result is often very conservative decision making. In a slow-moving market, this approach is manageable and perhaps even beneficial. But in an industry with complex and fast-moving market dynamics—a good description of US healthcare today—it can impair performance.

In rapidly shifting industries, companies usually benefit from having organizational units with clear profit-and-loss accountability and from giving decision-making authority to lower levels. However, there is no single answer as to whether the organizational units should be based on geography, segment, or product/service line rather than

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EXHIBIT 2 **Symptoms of an organization that lacks agility**

- Functions are optimized within their silos, often to the detriment of the enterprise as a whole

- Metrics and formal organizational processes focus on and reward stability; they are often more likely to punish deviations than to reward innovation and growth

- A lack of clear accountability and decision rights gives almost everyone a "pocket veto" (the ability to say "no" or at least slow things down); very few people are able to drive things faster (it takes full consensus to say "yes")

- Different parts of the organization were modified over time with no clear logic or design blueprint; as a result, roles and structures are complicated and difficult to understand, much less navigate. The complexity slows down the organization, especially when collaboration is required

- People drive performance with the resources they "own," rather than through collaboration and effective linkage mechanisms. When this problem persists, complexity increases and collaboration becomes more difficult. As a result, redundant functions and shadow organizations build up over time, adding further to cost and inefficiency

- Past organizational redesigns focused primarily on fixing pain points, rather than optimizing the organization to deliver on its strategy; as a result, the new designs often create as many issues as they solve. Over time, the design pendulum swings back and forth (e.g., decentralization vs. centralization, functional power vs. business unit power), but core issues are not resolved

- Often, capabilities are developed only by adding more resources, and the organization is built around key talent rather than effective design

- Too many underperforming leaders have been "parked" or "sidelined" in positions that otherwise would not exist, which over time creates far too many middle managers who spend most of their time passing information up and down, attending and conducting (often unnecessary) meetings, and adding extra layers of approval and reporting—without creating any added value

A new tool to facilitate organizational redesign

To support companies seeking to increase their agility, McKinsey has developed a web-based design tool called "OrgLab."[1] This tool enables teams to rapidly build new organization design models aligned with their company's strategic aspirations and organizational health archetype. The teams can then compare different options and assess various outcomes in real time. The tool also permits them to make iterative changes to the emerging organizational design and to prototype alternatives.

OrgLab helps resolve a fundamental dilemma in how organizational redesigns are usually conducted. Typically, the redesigns are either highly centralized (a very small high-level team works behind closed doors) or very decentralized (the basic structure at the top is established, and then managers are given wide autonomy in determining the details). The centralized approach tends to deliver a consistently designed, lean organization with few overlaps. But because the handful of people who developed the master plan almost always have limited knowledge of some areas, the plan rarely works well further down in the organization. Furthermore, the managers who must implement the new structure often have little insight into why certain choices or trade-offs were made, which often slows down implementation and makes it harder for them to apply their judgment when unanticipated problems arise.

In the decentralized approach, the managers who implement the design understand and own it, and thus they tend to implement it more quickly and with fewer distractions. These managers often do a better job on the design's details because they have a better understanding of specific functions. The downside of this approach is that the organizational structure often becomes inconsistent as different managers apply different design principles. As a result, there may be gaps and overlaps in resources, which increases the likelihood of redundancy and inefficiency. When the plan is complete, it is not unusual to find that the head count and overall costs have increased by 20 percent or more.

OrgLab delivers the best of both approaches. It allows a company to devolve some design work to the managers who know specific functions best and will execute the plan. At the same time, it provides a clear view of the emerging structure, permits real-time analysis of potential issues, and makes possible web-enabled collaboration to ensure consistent logic and minimal redundancies. It also includes clear guardrails (on costs, headcount, spans and layers, etc.) to guide those developing the new structure so that it stays true to the overall plan. The end result is often a design that is faster, more flexible, significantly lower in cost, and much more effective.

In addition, OrgLab has built-in intelligence to help senior executives answer important questions as they develop their new structure: How does that structure compare with ideal spans and layers? How does it support the company's strategic needs? How does it compare with the existing structure in terms of costs and headcount? How will talent track in the new organization, and will the new structure require role eliminations, pay changes, etc.? OrgLab also helps executives identify headcount imbal-

EXHIBIT A1 **OrgLab identifies the value that can be obtained by closing the gap between current and target manager**

Case example

Layer	Manager and non-manager FTEs					FTEs per layer	Labor cost	FTE opp	Cost opp	Average span per layer	Span of control
1			1 0				1	$500 K	---	---	10.0	
2		5	5				10	$3 M	1.1	330 K	5.0	
3		15	10				25	$5 M	7.7	1.54 M	3.8	
4	45		12				57	$8.41 M	24.6	3.7 M	21.6	
5	67		30				97	$8.91 M	29.0	2.67 M	2.96	
6	43			155			198	$14.2 M	13.9	1.01 M	4.37	
7		13		175			188	$11.5 M	5.8	356 K	3.54	
8		2	44				46	$2.57 M	0.9	81.8 K	2.5	
9		1	4				5	$190 K	-0.0	0	5.0	
10		2	3				5	$300 K	1.6	96 K	1.5	
11		0	3				3	$165 K	-0.0	0	0	

■ Managers 194 (30.55%)	■ Non-managers 441 (69.45%)	635	$54.8 M	84.6	9.78 M

1 The tool visually displays the number of managers and non-managers (FTEs) across the various layers of the organization

2 It calculates how many managers are required based on the archetype and the number of personnel at the layer below them

3 The **potential FTE reduction opportunity is calculated** by subtracting the current number of managers by the required number of managers

4 Based on the average salary per layer and the FTE reduction opportunity, **the tool estimates the potential cost opportunity**

5 Average-span-per-layer calculations highlight whether the organization appears to be top or bottom heavy for managers

6 Span-of-control column visually depicts the number of managers who have too many or too few direct reports

FTE, full-time equivalent.

Source: McKinsey Organization Practice

ances, excess management layers, and a host of other issues. As a result, it permits them to move beyond short-term cost reductions (although it typically delivers 10- to 30-percent reductions in labor costs) and gives them the opportunity to incorporate longer-term strategic needs in their organizational design. A sample output from OrgLab is shown in Exhibit A1.

Payors may find some of OrgLab's features particularly useful as they shift their organizational emphasis. For example, OrgLab can help them spot shadow functions that exist in multiple places, highlight the degree of dispersion within the workforce, and determine the right number of resources to invest in each function (based on industry benchmarks).

function. The choice depends on your strategic priorities. Similarly, decisions about which new organizational design elements to add must be based on your strategic imperatives. For example, if your company is making an affordability play, you may need to centralize more functions and established more shared services groups as a way to reduce costs.

The following six guiding principles can help you ensure that a restructuring supports your strategic imperatives and strengthens your organization's health:

Don't focus only on the org chart. Focus as well on what decisions need to be made and how those decisions will get made, as well as on what managers will be accountable for and how things will work in the new organization. Think carefully about your strategic imperatives, which are likely to be significantly different from your pre-reform imperatives. The new organizational design should be laser-focused on enabling your company to deliver against those imperatives.

Rigorously develop and assess multiple options so that you can identify the optimal organizational design model. Many companies fixate narrowly on current pain points (the frustrating elements in the existing organization design that slow things down), and so they develop a new design that solves those issues but inadvertently creates new pain points. It is far wiser to focus first on the new organization's future strategic requirements—exactly what it will need to do and deliver. You can use this information as the "true-north" compass for optimizing the new design.

Drive both top-down and bottom-up design. If you ask a few executives to "master plan" the new organizational design, they will almost certainly get some of the details wrong. Furthermore, the people who have to implement the design will lack understanding and ownership of it, which dramatically increases the risk of implementation failure. However, a purely bottom-up approach leads to inconsistency, redundancy, and often higher costs. The trick is to find the right balance by using a combined top-down and bottom-up approach.

Manage the change. Restructuring can be a major "unfreezing" event for a company. Executed wisely, it is an ideal time to simultaneously and substantially improve organizational health. The new design should therefore alter how people work, where they spend their time, how decisions get made, and how performance is delivered. Merely shifting lines and boxes will have no real impact unless you can also shift people's behaviors and underlying mindsets, and that generally requires that you help them build capabilities and offer them incentives that reinforce the desired changes. During the restructuring, make sure you communicate—frequently and consistently—using a clear, compelling narrative or "change story" to help align and excite people at all levels of the organization. In addition, be sure to position both formal leaders and informal change agents at every level to turbocharge the effort.

Define metrics to assess short- and long-term performance and health. Make sure that the company overall, each organizational unit within it, and all key managers at every level have a clear set of objectives. Then, define the performance and health metrics

that will assess results achieved. Use those metrics to ensure alignment and account-ability. Intervene quickly and make appro-priate course corrections if any unit (or any person) is not delivering.

Move fast. Even the best change efforts can unsettle people, and nothing is gained by stretching the process out. Best-practice tools and techniques are available that can accelerate the collaborative design process,

transition planning, and implementation. (For a closer look at one such tool, see the sidebar on p. 126.)

By following these principles, a company can ensure that its organizational design is a good fit for its strategic imperatives. For example, many of today's most successful global consumer products companies are structured so that their marketing resources are decentralized (which enables their

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EXHIBIT 3 **Organizational health can be assessed by gauging performance on 37 management practices**

Elements of organizational health
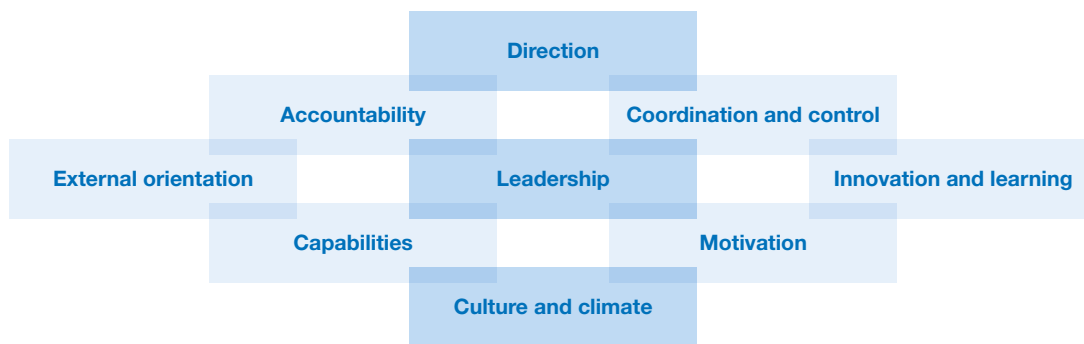
Management practices

Direction
1. Shared vision
2. Strategic clarity
3. Employee involvement

Leadership
4. Authoritative leadership
5. Consultative leadership
6. Supportive leadership
7. Challenging leadership

Culture and climate
8. Open and trusting
9. Internally competitive
10. Operationally disciplined
11. Creative and entrepreneurial

Accountability
12. Role clarity
13. Performance contracts
14. Consequence management
15. Personal ownership

Coordination and control
16. People performance review
17. Operational management
18. Financial management
19. Professional standards
20. Risk management

Capabilities
21. Talent acquisition
22. Talent development
23. Process-based capabilities
24. Outsourced expertise

Motivation
25. Meaningful values
26. Inspirational leaders
27. Career opportunities
28. Financial incentives
29. Rewards and recognition

Innovation and learning
30. Top-down innovation
31. Bottom-up innovation
32. Knowledge sharing
33. Capturing external ideas

External orientation
34. Customer focus
35. Competitor insights
36. Business partnerships
37. Government and community relationships

Source: McKinsey Organization Practice

EXHIBIT 4 **Four archetypes predict sustained success**

Leadership-driven	• Leaders act as performance catalysts, setting high expectations and helping the organization achieve them • Focus is on motivating and developing a pipeline of inspiring, accountable leaders
Market-focus	• Customer intimacy, competitive insights, and innovation help shape market trends • Focus is on developing distinctive brands and customer offerings
Execution-edge	• Leverage people and know-how at all levels of the organization to outperform the competition • Focus is on superior execution and continuous improvement
Knowledge-core	• Acquire, deploy, reward, and retain top talent • Focus is on winning the war for talent and getting people in the right positions to deliver the best-quality service

marketing talent to stay close to consumers), but they also have centralized "centers of excellence" in areas where economies of scale and skill are important. This structure enables the companies to develop and market a portfolio of solid, innovative brands that keep them ahead of the competition.

Building a healthy organization

Perhaps the hardest part of a redesign is making sure that the new structure fosters—rather than impedes—organizational health. The challenge arises, in part, because few executives know how to measure or manage their company's health.

To help them do so, McKinsey developed the OHI. This tool assesses 37 management practices in nine core areas (Exhibit 3). In our experience, no company is able to excel at all 37 practices—attempting to do so results in mediocrity across the board. Instead, high-

performing companies focus on a handful of critical practices that work together as a winning "recipe" to create a coherent, effective management system that fully supports the organizations' strategic imperatives. They aim to be "good enough" at all 37 practices but to excel at just that handful (often, only about 10).

We have found that the winning recipes fall into four distinct archetypes, each of which reflects different core beliefs about value creation and organizational success (Exhibit 4). In our experience, companies that align closely with any of these four archetypes are five times more likely to be healthy and to deliver sustained strong performance than other companies are.

Understanding the archetypes
Leadership-driven organizations focus on motivating, developing, and empowering great leaders. They emphasize practices that attract and inspire up-and-coming

talent, while also providing a range of "learn-by-doing" career opportunities. These companies pair high levels of empowerment with equally strong accountability.

For payors, this approach often translates to having largely autonomous business units or regions with independent P&L accountability. Strong leadership is prioritized at both the regional and corporate levels. Senior executives spend up to half their time guiding, motivating, mentoring, and deploying top leadership talent.

Market-focus organizations concentrate on developing a distinctive mix of products and services, as well as strong brand recognition and customer loyalty. To do this, they develop deep insights into their customers and competitors, and leave themselves open to new product ideas (including those from external sources). These companies excel at marketing, distribution, and pricing.

For payors, this approach requires the ability to segment customers and understand the needs and wants of each segment (even when customers cannot fully articulate them). Payors would also have to have an accurate appraisal of how competitive offerings stack up, a willingness to develop innovative product offerings, and excellence in pricing (based on the ability to link granular financial management with deep knowledge of both state and federal pricing guidelines and what customers are willing to pay).

Execution-edge organizations have a clear, well-honed product and market strategy, and they excel at delivering against it. These companies concentrate on quality, efficiency, and productivity. They harness the full poten-

tial of their workers, especially those at the frontline closest to value delivery, to make regular, incremental improvements in what they do and how they do it.

For payors, this approach often translates to a focus on efficiency achieved through strong claims processing and IT capabilities. To ensure continuous improvement, the payors review performance metrics at every management meeting, create formal structures to raise ideas from lower levels of the organization, and ensure a culture of achievement and healthy internal competitiveness.

Knowledge-core organizations have the talent and knowledge necessary to deliver distinctive expertise and advice (often, on specific projects). These companies succeed by acquiring the best talent; they then use rewards and recognition to motivate people and assign each person to the roles and projects they are uniquely suited for.

Few payors are likely to follow this approach at the enterprise level, but some payor functions could adopt a knowledge-core subculture. This approach could, for example, help actuarial functions better manage risk and achieve pricing excellence. A knowledge-core approach would also be appropriate for the physician groups acquired by payors pursuing vertical integration. (For more information about what is required to use two archetypes within the same company, see the sidebar on p. 132.)

Selecting a recipe for success

In all industries, companies can succeed using any of these archetypes. Our experience shows, however, that often some archetypes are more common in a particular industry

than others. For example, most payors have, historically, striven to achieve distinctiveness through either an execution-edge or leadership-driven approach. Execution-edge payors have sought competitive differentiation through service quality and efficiency (e.g., low administrative expenses, proficient claims processes, swift call-resolution times). At leadership-driven payors, relatively autonomous business units have been expected to deliver against independent objectives.

We believe that as the healthcare landscape evolves, many payors may benefit from adopting a market-focus approach. The ongoing shift from a B2B to a B2C market, and the increasing diversification of the customer base, is requiring payors to have a deeper understanding of customer needs across segments, as well as a strong grasp of external trends and government regulations. To meet the needs of their most critical customer segments, payors will have to

Using two recipes for success within a single organization

We are often asked if an organization can have multiple archetypes within it. For example, could a payor with a market-focus archetype have an execution-edge claims department and/or a knowledge-core actuarial group?

The answer is a qualified yes. A multiple-archetype approach can be used successfully, but two factors are typically required. First, the senior team must be clear about which archetype is primary at the enterprise level, a decision that should be based largely on how it views its competitive advantage and what strategy it has selected for winning in the market.

Second, senior executives must make a very deliberate decision about which specific units or functions will be permitted to adopt a different archetype, and then build in ways to integrate the different archetypes. This decision will allow the selected units/functions to develop distinctive subcultures and associ-

ated capabilities—in essence, to become silos within the organization, with all the inherent complexity that entails. For this approach to work, the selected units or functions must have clear boundaries that separate them from the rest of the organization.

In our experience, companies that have successfully incorporated a secondary archetype were very thoughtful in deciding where that archetype would be used. In addition, they defined a few management practices that all parts of the organization were expected to excel at; these practices became a cultural backbone that helps bind the different parts of the organization together. Furthermore, these companies established ways to manage at the interfaces of the groups with different archetypes, which will naturally struggle to collaborate. For example, they set up integrating processes and developed "ambidextrous" leaders who can bridge the interfaces to ensure that organizational health does not suffer.

use consumer insights to develop innovative products and services, design provider networks, and refine their communication techniques. At the same time, they will have to understand, and be able to counteract, their competitors' rapidly evolving strategies. Many of these skills and processes may be new for payors. Others may currently exist in pockets of the organization but will soon be needed at scale. Making the shift from an execution-edge or leadership-driven archetype to a market-focused archetype is not easy but can be done if a company identifies the management practices it most needs to change. (For more information about how this type of shift can be undertaken, see the sidebar on p. 134.)

Of course, not all payors may want to make the change to a market-focus archetype. To select your preferred archetype, we recommend that you consider three criteria:

Alignment with future competitive strategy. Understand how the archetype you are contemplating will support your business objectives and competitive strategy going forward (e.g., exchange focus, distinctive care-management capabilities).

Leadership preferences and capabilities. Reflect on the different experiences, strengths, and biases held by the members of your senior team. They should all play a role in the choice of archetype.

Current strengths. If your company currently has strong organizational practices, it may be easier to build on them rather than target new practices when establishing an archetype. Do not assume, however, that you have an accurate understanding

of your company's strengths. In our experience, a senior team's assessment of their organization's health often differs significantly from what is happening on the frontlines (the senior teams tend to be more optimistic). To gain a more realistic understanding of your company's strengths and improvement opportunities, use an objective tool such as the OHI.

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When properly intertwined, efforts to improve organizational design and organizational health can leave a company better able to respond rapidly to an evolving environment. Its organizational units will be able to work together more closely and collaborate more effectively, and its senior executives will have the appropriate balance of focus and bandwidth to build and execute new strategies. Although organizational design and organizational health efforts are not easy to implement well, they are critical for payors that want to deliver against the strategic imperatives and execution challenges that the rapidly changing US healthcare marketplace demands. ○

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How a payor might change to a market-focused archetype

To illustrate how a payor might change its archetype, let us consider a hypothetical company, AmHealthPlan. Concerned about upcoming industry changes, the company's CEO decided to investigate its organizational health. The initial results, shown in Exhibit B1, suggested that at an overall level, AmHealth-Plan was healthy—in fact, it was far healthier than many other payors we have worked with.

Closer examination revealed that the company's organizational health aligned reasonably well with the leadership-driven archetype (Exhibit B2). It also aligned weakly with the knowledge-core archetype, perhaps because one of AmHealthPlan's largest business units focuses on care management.
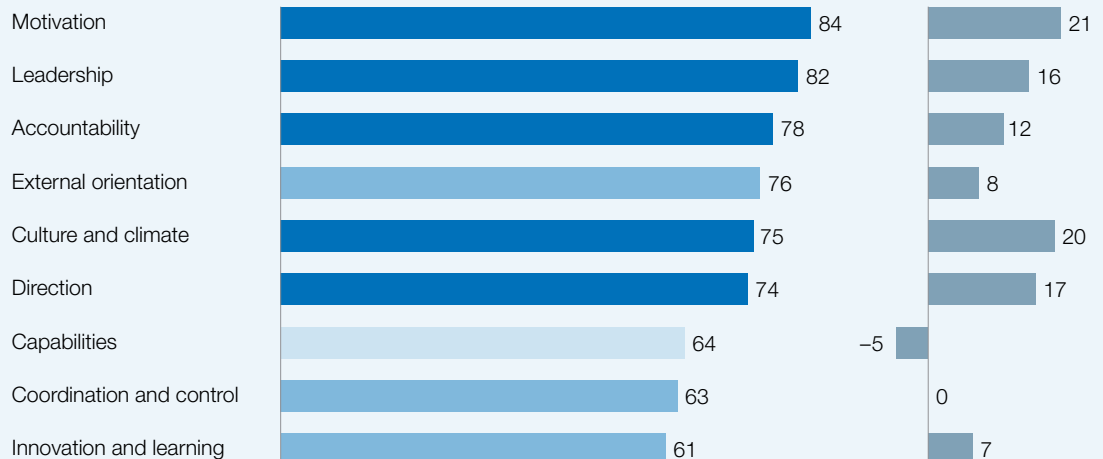
However, AmHealthPlan scored poorly on many of the practices related to the market-focus archetype (Exhibit B3). For example, it received low scores on how well it was able to capture external ideas, develop competitive insights, and build partnerships with other companies. One of its worst scores was on customer focus, reflecting the company's inability to understand its customers' needs.

EXHIBIT B1 **AmHealthPlan's organizational health profile**

Performance in the 9 core areas
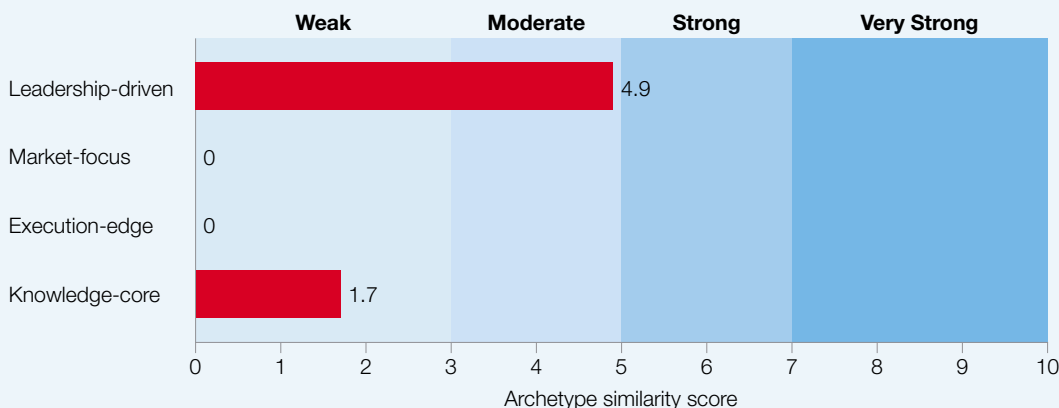
■ Top quartile* ■ Second quartile* ■ Third quartile*

Average percentage of employees indicating "strongly agree" or "agree" on questions related to:

Comparison with global average

Motivation	84	21
Leadership	82	16
Accountability	78	12
External orientation	76	8
Culture and climate	75	20
Direction	74	17
Capabilities	64	−5
Coordination and control	63	0
Innovation and learning	61	7

*The quartiles refer to how well a company's score on a given element compared with how well all of the companies included in the Organizational Health Index database scored on that element.

EXHIBIT B2 **AmHealthPlan's alignment with archetypes**

Overall similarity to the archetype, based on relative rank ordering of practices

	Weak	Moderate	Strong	Very Strong

Leadership-driven **4.9**

Market-focus **0**

Execution-edge **0**

Knowledge-core **1.7**

0 1 2 3 4 5 6 7 8 9 10

Archetype similarity score

The CEO and leadership team were convinced that a stronger market focus was needed if the company was to meet its strategic objectives. To shift the company to the new archetype, they decided to emphasize a few key market-focus management practices—especially customer focus, which they wanted to be one of AmHealthPlan's highest-scoring practices. To turn around performance in this area, the senior team implemented organization-wide training sessions on customer interactions, disseminated a weekly news feed with relevant articles and research on customer needs and behavior, and incorporated customer satisfaction in the metrics used to evaluate and reward all employees. They also served as role models for the employees by making customer focus the first point of discussion at every monthly operating review.

Changing a company's archetype is never easy, but AmHealthPlan's high level of organizational health made the transformation less difficult to accomplish.

EXHIBIT B3 **How AmHealthPlan scored on the top market-focus management practices**

Top 10 management practices for the market-focus archetype	Rank the practice received at AmHealthPlan (out of a total of 37 practices)
1. Customer focus	36
2. Competitive insights	27
3. Business partnerships	30
4. Financial management	28
5. Government and community relations	12
6. Capturing external ideas	37
7. Strategic clarity	16
8. Process-based capabilities	15
9. Shared vision	3
10. Operational discipline	14