



NANCY M. SCHLICHTING

CEO, Henry Ford Health System

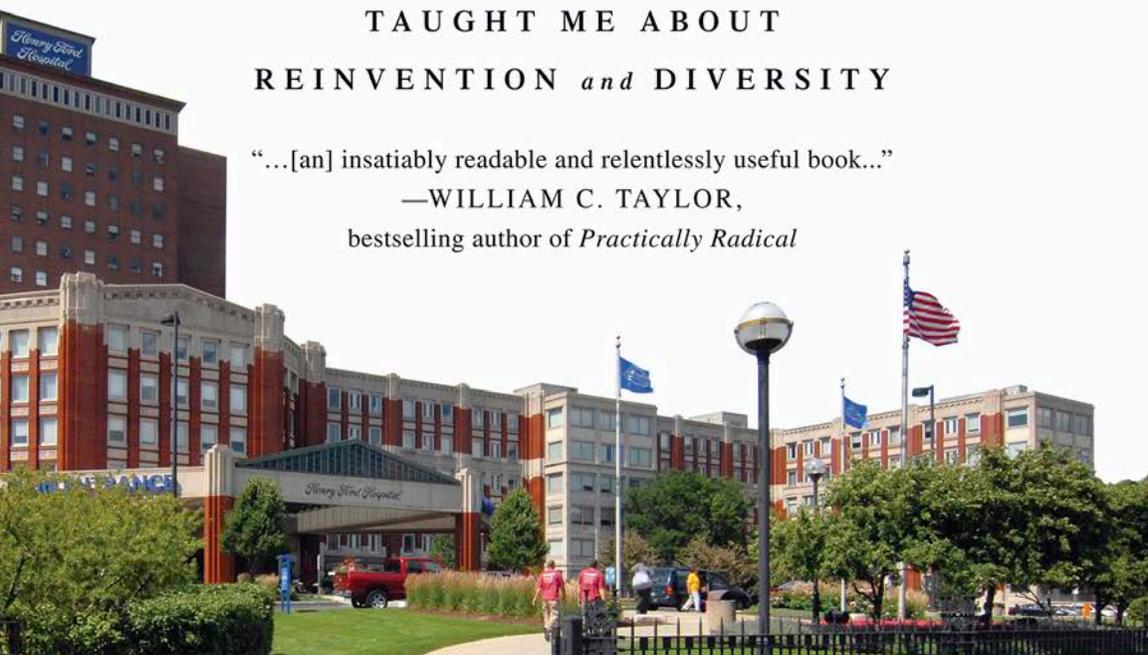
UNCONVENTIONAL
LEADERSHIP

WHAT HENRY FORD *and* DETROIT
TAUGHT ME ABOUT
REINVENTION *and* DIVERSITY

“...[an] insatiably readable and relentlessly useful book...”

—WILLIAM C. TAYLOR,

bestselling author of *Practically Radical*



Praise for
Unconventional Leadership
and Nancy Schlichting

“The defining challenge for leaders today is to reimagine what's possible in their fields—to do what other organizations can't or won't do, and thus get to the future first. That's what Nancy Schlichting has done throughout her career, and with this insatiably readable and relentlessly useful book, she shows you how to do it too. Nancy is one of the most inspiring change agents I've ever met, an unconventional leader whose uncommon sense can teach all of us about where leadership itself is going.”

—William C. Taylor, cofounder and founding editor,
Fast Company; author of *Practically Radical*

“In the early 20th century, Henry Ford took over a struggling hospital in Detroit and turned it into a world-class medical center. In the early 21st century Nancy Schlichting repeated the process at the same hospital, using the same innovative and unconventional leadership methods as my great-grandfather. *Unconventional Leadership: What Henry Ford and Detroit Taught Me About Reinvention and Diversity* tells the story of how Nancy turned around the Henry Ford Hospital and Health System. Under her leadership, in the middle of a global recession and the first bankruptcy of a major U.S. city, the hospital flourished and earned a worldwide reputation for excellence that culminated in the coveted Malcolm Baldrige Quality Award. Leaders and would-be leaders would do well to read this book and apply its lessons.”

—Bill Ford, executive chairman, Ford Motor Company

“Our Plan to Win at McDonald's was all about making the business better, not just bigger. Nancy Schlichting has done the same with amazing results throughout her impressive career. This book deserves wide readership for its inspirational look at how to remaster your leadership practices with an eye to the quality of the company, instead of the bottom line.”

—Jim Skinner, former CEO, McDonald's

“Nancy Schlichting is an authentic, unconventional, and extremely successful leader. Her willingness to take smart risks and invest in people consistently transformed health-care systems. Moreover, her grit and candor are inspiring. A must-read for anyone interested in leadership.”

—Risa Lavizzo-Mourey, president and CEO,
Robert Wood Johnson Foundation

“Sometimes, leading a team to victory isn’t about taking the traditional path. Instead, it can take imagination, risk, and the ability to turn obstacles into opportunities. Nancy Schlichting has done this both personally and professionally. I strongly recommend this book to any leader looking to take their team to the next level.”

—Mike “Coach K” Krzyzewski, head coach of men's
basketball at Duke University

“In the 21st century, a different type of leadership is required to achieve change that is truly transformational. Leaders need to be flexible, innovative and willing to challenge the status quo to make meaningful progress on increasing the accessibility and affordability of health care. In her book about unconventional leadership, Nancy tells the story of her journey, and outlines what we need to do to achieve transformative change, on a personal and professional level.”

—Bernard J. Tyson, chairman and CEO, Kaiser Permanente

“The Ford Foundation proudly carries on a tradition of service and leadership that Henry Ford began almost 80 years ago. I have rarely seen that tradition better represented or articulated than in *Unconventional Leadership*. Schlichting demonstrates that leadership practices can be thoughtful, positive, and courageous without sacrificing effectiveness. This book is a must-read for any leader interested in managing and motivating people for high performance and impact!”

—Darren Walker, president, Ford Foundation

“Nancy’s blend of compassion, bravery, and practicality will give all leaders, current and aspiring, the confidence to find and pursue their own form of unconventional leadership. Her strategies will help you to remain resilient in the face of adversity, to the benefit of both yourself and your company.”

—Ginger Graham, president and CEO, Two Trees Consulting

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To Pam,
who has given me a life I never thought I would have.

To Allie and Nick,
who have added so much to my life.

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INTRODUCTION

Unconventional Leadership: My Personal Journey

My desire to become an innovator in health care was something I thought about and began acting on from a very early age. In fact, I was in elementary school. This was many decades before I led Henry Ford Health System, long before I turned around consecutive organizations in the middle of crisis and recession, and well in advance of my struggle to come to terms with being gay and the impact it would have in my career.

Henry Ford, the icon and inventor, was an inspiration to me when I began reading about great leaders in my early teens. But even before that, I was influenced by occurrences much closer to home—deeply personal experiences that guided my thinking and fueled my desire. For me, a trio of events forged an indelible perspective and taught me to think of hospitals as dark, scary institutions, where patients and families were at the mercy of an uncaring system: at age five, I spent a long week in the hospital undergoing tests and evaluations after hardly eating anything for a number of weeks. My grandmother had just died and the sudden loss left me feeling not only frightened and unsettled but also acutely anxious. When evening came around in the children's

ward, I was completely alone because no visitors were permitted after hours—not even parents. The rules were absolute and the nurses enforced them with rigid formality.

Later, when I was nine, my mother was hospitalized for a month with a life-threatening condition. It was a rare type of tumor that, although benign, was the size of a grapefruit. She had complications and underwent three separate surgeries. None of the four children in our family, ages two to twelve, was allowed to visit her. We were paralyzed with dread and anxiety, thinking that we might never see her again. When my mother finally returned home, she had lost so much weight that my youngest sister, Joan, didn't recognize her and ran away from her, hiding behind me. Two years later, I remember my father losing his brother and sister on the very same day to unrelated illnesses after both endured chronic hospitalizations during which the information was sparse and the outlook bleak. That experience devastated my father and made a lasting impression on me.

Watching people suffer, with hospitals failing to adequately address the needs of patients and their families, shaped my desire to improve the system of care. I believed that I could do better, and that idealistic desire to create something far superior has remained with me every moment since. Over the years, I came to understand that the situation in health care was much more complex than I realized as a young child. The intricacies of balancing medical standards with financial and fiduciary responsibilities can give rise to conflicts of interest that are difficult to address. However, I also recognized that the opposite was just as true—the problem and solution sets were so elementary as to be starkly apparent. The reality was that health care needed to improve, and to move that needle we had to do things differently.

I set out as a youngster with a plan to turn the established system on its head—starting in the operating room. Surgeons were the most respected, and arguably the most skilled, individuals on the team at the time. They wielded incredible influence. In aiming to be a surgeon, I felt that I would be in a position to help rewrite the rules of health care. However, my earliest training did not go quite as I envisioned. When

I began my undergraduate degree at Duke University, I planned to matriculate immediately to medical school. To my surprise and dismay, I found that I grew weak at the sight of blood, and was not equipped to handle the emotional side of medicine. How ironic: I desperately wanted to become a pioneering physician but I didn't have the stomach for clinical medicine!

That first roadblock threw me for a loop—until I uncovered the proverbial silver lining that put everything into focus. I had an aha moment. As I considered my options, I turned to Henry Ford and other innovators and leaders who had captured my intense interest over the years. I realized that there was a business side to health care, and it could be used as a powerful lever to drive change from a place that I never knew existed. Working on transformation from the helm of leadership and operations meant that I could go outside the traditional healthcare sector for business models and ideas that could be adapted and transplanted all across health care. And that is exactly what I have done.

I have tried to take the nontraditional path forward in my career, as chief executive at Henry Ford Health System, and prior to that as a leader at hospitals and health organizations across the United States. In the service of setting a much higher standard within health care, I have developed a reputation for pursuing the unexpected. During my tenure, for example, the health system closed three hospitals and still doubled in size. As a math equation, that doesn't make a lot of sense, but I will show that it happened because people across the organization came to believe that HFHS is a safe place to innovate and do things differently. Together we changed the system for the better.

Unconventional Leadership

In the pages that follow I will talk about “unconventional leadership” and how its tenets have aided me and the teams I have worked with, in turning around a number of organizations, winning the Malcolm

Baldrige National Quality Award at HFHS, and ultimately creating a high-performance health system that is widely considered a model for organizations within health care and beyond.

Unconventional leadership is by far more fun and exhilarating than the traditional route, but it requires courage and a willingness to commit to difficult change. And it will look and feel different in every case. This book presents a mode of operating rather than a template or model. For me, thinking and acting differently was easier because I don't look much like many of the people around me. I am not a typical CEO operating in a traditional setting. I am a female chief executive of a large organization at a time when fewer than 5 percent of top leaders in Fortune 500 companies and fewer than 18 percent of hospital CEOs are women. My colleagues and I operate in an industry where disruption is common, and we reside in a city—Detroit—that has been in the grip of desperate economic decline and social upheaval.

Over a span of thirty years, working at the highest levels of leadership and serving on corporate boards, my tendency to buck tradition has allowed me to see difficult situations for what they are and choose the right levers for making them better.

Even more, unconventional leadership has allowed me to become an innovator in a notoriously high risk, fast-paced environment. I've been through three hospital fires, numerous bomb threats, several financial turnarounds, and a multitude of business model resets—not to mention the life-and-death scenarios I am privy to every day as I work with physicians, nurses, patients, and the entire health-care team to address dilemmas as they unfold. My point is that running a health-care organization—or any large company—is like running a city: anything can happen. I have needed to think differently in order to respond in real time to all of the change and chaos.

With so few top women leaders to turn to for support and encouragement—and even fewer who are gay—I have relied on iconic role models as I developed my leadership style. As I searched for answers over the years, the legacy of Henry Ford, the founder of

Henry Ford Health System, was one of the leadership stories I tapped for knowledge and inspiration. In fact, Ford's example was one of the things that brought me to Detroit and helped me to find a home here.

As a lifelong student of leadership, I have found Ford's business philosophy, known as Fordism, to be more fascinating and instructive than just about anyone's. In my mind, he was as much iconoclast as icon. He was innovative, to be sure, but his influence went well beyond the implementation of mass production. Ford, for example, argued that high wages were essential for both economic and moral reasons. In 1914, he set a powerful precedent by doubling pay for employees on his assembly line in Detroit. In part, the move was designed to address high turnover among workers who found the job difficult and unrewarding. And Ford argued that a higher wage was not only crucial to the success of his business but also good for workers. The \$5 a day pay was highly innovative and represented a radical departure from the standard business practices of his competitors at the time.

There are a number of other reasons Henry Ford has become a touchstone for me in business. First, Ford's vision was a game changer in automobile manufacturing and it achieved multiple objectives. Cost-effective cars manufactured by skilled workers earning steady wages revolutionized the industry. Over the span of my own career, I have always looked outside of health care in order to import improvements and ideas. In fact, I have succeeded by applying the current best practices in *business* as opposed to the outdated modes common within health care. In trying to think as Ford did, I believe I have achieved several goals at once—creating a thriving business, improving the patient and family experience, and also making HFHS a great place to work.

Next, Ford was a true innovator. As an inventor, he often re-imagined something in its entirety instead of simply fixing it when it broke. My father was an inventor as well, and I have always shared his desire to solve complex problems and usher in new ideas; the theme of innovation runs all the way through my work.

Finally, Ford was a noted leader in Detroit during a period of the

city's history that included a number of tumultuous moments, including the onset of World War I. Remembering the way Ford managed through crises has sustained me throughout my tenure at HFHS. It informed my thinking as we continued to build the business, with the support of the Ford family, while the surrounding community of Detroit was experiencing challenges such as high levels of crime, rampant political corruption, and economic instability that culminated in municipal bankruptcy. As I tell this story, I will mention Henry Ford because HFHS is an organization that Ford originally built. This is not a history book, but I will pay homage to Ford's legacy because his brave and exceptional example is always on my mind.

Unconventional leadership worked for Ford and it has worked for me. Furthermore, one of the reasons I am writing this book is that I believe that all leaders, in every industry, have reason to reexamine their traditional thinking. Why? Because constant change is commonplace today. Health care is a complex field that is transforming itself from the ground up—from the way care is delivered and how patients and their families manage their health to the multitude of issues surrounding the national health-care debate. And all of these changes are mirrored across dozens of industries. As a result, the traditional rules no longer apply and every one of us needs to challenge and innovate. I hope that my leadership paradigm and tactics for success can help others progress along that same path.

About This Book

I am a product of the '60s, so I believe in change and the power of everyday people to transform any situation for the better. And yet, individuals need access to the right tools to make that happen. The principles in the following chapters are based on the situations I've encountered over the course of thirty-five years as a leader. I am offering advice, based on my experience, so that readers can apply it in their lives, not only as business builders, and as women and men at work,

but also across the wider spectrum of situations we all face as employees, parents, and citizens. This book is arranged as follows.

Chapter 1: Risk Rejection and Be Bold in Your Career

When I was in my late twenties I was promoted to chief operating officer at a 650-bed hospital in Akron, Ohio. Elevated above peers who were twice my age, at a time when the company was losing \$1 million each month and hospital occupancy was in free fall, I knew that many of my colleagues were dubious about my experience and qualifications. But courage and confidence served me well at that time and ever since. This is when I first discovered how to work with unions and all-male boards and face potential layoffs and a host of other landmines. In this case, unconventional leadership meant forging my own model while so many women of the time were struggling to route around the gender stereotypes that kept (and still keep) them locked out of the executive suite. I will talk about the tools I used to prove myself as a woman rising through the ranks in business, and I will also offer a candid account of several vivid setbacks and how I was able to overcome them.

Chapter 2: Learn to Turn It Around

Before I got the call to join HFHS, I considered accepting an opportunity at a premier children's hospital in Seattle. It boasted an all-female board; the business was growing; and it was a well-funded institution. HFHS presented a dramatically different picture. In 1997, prior to my arrival, HFHS lost money and was draining cash at an alarming rate; there was no growth; and employees and physicians were demoralized. The organization was in the grips of a crisis while the surrounding community of Detroit was experiencing economic instability and massive population decline.

Given the two paths, I chose Detroit. I gravitate toward big, challenging, complex problems, because they present an opportunity to create positive change.

This chapter examines the art of the turnaround. In particular, it explores the reality of turnarounds in tough markets and industries. I have led four organizations safely through turnaround situations, and while HFHS is the best known, each one has been a case study that shows what happens when you put people and quality above all else, which unites teams around better ways of working together. In examining how my own unconventional leadership intersects with transformation, I will describe each of these cases and the tools I have used to succeed.

Chapter 3: Use Quality to Achieve High Performance: The Baldrige Framework

One of my greatest moments as an unconventional leader came in 2011 when HFHS won the coveted Malcolm Baldrige National Quality Award, the nation's highest presidential recognition for innovation, improvement, and visionary leadership. I got the phone call when I was at home on the morning of my fifty-seventh birthday, and in that instant it felt like we had just won an Oscar.

I tell the story of our Baldrige journey for two reasons. First, the account itself is inspiring. It took us seven years to prevail and no one thought we had any real shot at the prize when we applied, during the dark days of the 2008–09 recession and while we were grappling with sharp spikes in uncompensated care. I will talk about what put us over the top to win. Second, the journey itself was instructional and transformational in terms of thinking and doing things differently. In health care, we sometimes pull off the most miraculous surgeries only to destroy the customer experience with poor valet parking, an insensitive manner of communicating, or cold coffee. Every interaction in health care counts. I will describe how our efforts became the basis for improvement and best-in-class innovation across the board, and I'll show that these efforts can be applied anywhere.

Chapter 4: Find the Disruptors in Your Organization— and Listen to Them

At HFHS, I have made a practice of recognizing the disruptive people across the organization—and supporting them. These are the people who have the ideas that will drive change. I have seen it time and again. One such disruptor (our chair of surgery, Dr. Scott Dulchavsky, who also works with NASA) proposed installing public health kiosks inside churches all across Detroit. It was a fairly radical idea—and yet these kiosks have been enormously successful in helping members of the community learn about health and wellness and in expanding our understanding of community needs in Detroit.

Another visionary disruptor partnered with me in creating a \$360-million hospital designed to serve as a community center for health and wellness, and that looks and feels like a luxury hotel, complete with gourmet cuisine and a unique retail complex. This, the first Henry Ford Health System hospital built since 1915, was complicated to execute and was initially criticized by some of the media and some competitors, but it has been extremely successful. Now we use its hospitality strategy as a model for all our hospitals, and it has been copied by hospitals around the world.

I will describe many other ways we've innovated, and will explain how and why innovation has changed the game for us. The bottom line is that we've expressly made it a part of the core fabric of our organization in order to counteract the debilitating pressures and inertia that come with day-to-day business. I self-identify as a leader of positive change, and I will show how to create a culture where innovation is a driver of growth.

Chapter 5: Make a Large Company Feel Small

The early years of Ford Motor Company illustrate one of Henry Ford's greatest priorities—to attract outstanding people. He hired a cadre of

individuals who shared his vision and would make the company into one of the world's best. I myself began my career in health care directly out of college as a minimum-wage worker, and held a number of jobs between nurse aide and chief executive. The universal lesson I learned from each position is that every individual in an organization matters and all employees need to be engaged in a common vision. I like to say that we treat surgeons just like housekeepers—with great dignity and respect. None of the twenty-three thousand jobs at HFHS is easy, but my mission has been to create an environment where people can bring their best. As the late Maya Angelou said so beautifully: “I’ve learned that people will forget what you said, people will forget what you did, but people will never forget how you made them feel.”¹ I will describe how I put that idea into practice as an unconventional leader.

Chapter 6: Being Different: The Strength of Diversity

Picking up where I left off in chapter 5, I will transition to a related subject—thinking differently about people. Like many CEOs, I have seen firsthand that diverse teams are a staple of innovation and serve as a lever for creating a high-performance workplace. In addition, ample academic evidence shows that diversity is good for the bottom line.² Rather than elaborating on that well-established argument, I will focus on my own simple talent philosophy: first, solving complex problems requires bringing together many different types of people. Health care is a complex field, and yet it is not especially diverse in the executive ranks. I’ve tried to change that. Second, whether you are recruiting internally or externally, it is essential to take risks. Hiring people with nontraditional backgrounds and unusual experience pays dividends almost every time—I will talk about unorthodox hires for key positions that worked specifically *because* they disrupted the norm. I will also explain how I used this same talent philosophy to find and recruit the person who will succeed me.

I will also discuss my own experiences as a gay woman in business, including being anonymously outed and passed over for promotion

expressly because of my sexual orientation. Being out in the open for twenty-five years has made me a better leader, intent upon fostering a safe and comfortable environment where people can bring their unique gifts and true selves to work each day.

Chapter 7: Detroit: Partner for Renewal

Over the course of more than a decade leading HFHS, I can attest to one thing, which remains constant even as all else around us is engulfed in change: we are defined by the community we serve. As such, we have a dual responsibility to serve and improve that community. Just as Henry Ford introduced higher wages that stabilized his workforce and gave workers the ability to buy the very cars they made, we have a business and moral imperative to be a resource and partner for the people of Detroit.

The reality we have faced during my tenure as chief executive is a city marked by deep decline and desperate poverty—a situation we work every day to help turn around. In this chapter I will examine Detroit in crisis and our struggle to expand and to attract top talent to America’s most impoverished metropolitan area in the midst of the 2013 municipal bankruptcy. I will talk about the city’s amazing history and immense challenges—from the founding of Ford Motor Company in 1903 and the city’s heyday as the automotive capital of the world, to the race riots, crippling population decline, urban decay, and a debilitating crime surge. I will also talk about the many hopeful steps along the path to future community renewal and economic recovery. Finally, I will highlight the many personal lessons I learned as a leader during Detroit’s time of crisis and the ongoing attempts at renewal.

Chapter 8: Face the Future

Chapter 8 explores how Detroit’s future, the evolution of health care, and my own future all dovetail. For me, one of the rewarding things about being in health care for so many years is recognizing progress in

many areas, including patient centeredness and improved patient safety in the U.S. And yet, we have a long way to go to create affordable care, create effective access to care for all Americans, attain Six Sigma levels of health care quality, eliminate health disparities for many groups of patients, and increase funding for medical research. I will shine a light on mergers in health care and health-care reform, naming my own successor, and the ways that we can do things differently in order to move the needle. I will also describe my unconventional perspective on succession planning and how I see things playing out for me in the future.

It is my hope that the stories in the chapters that follow will be inspirational for women and men who aspire to lead, and of interest to CEOs who have asked how HFHS won the Baldrige National Quality Award for performance excellence. However, more than anything, I hope that all readers will find the advice useful in confronting their challenges and in their search to find their own unconventional paths to change and success.