

MASSACHUSETTS INSTITUTE OF TECHNOLOGY  
SLOAN SCHOOL OF MANAGEMENT

**15.565 Integrating Information Systems:**

Technology, Strategy, and Organizational Factors

**15.578 Global Information Systems:**

Communications & Connectivity Among Information Systems

Spring 2002

Lecture 23

***MOTIVATING ORGANIZATIONAL CHANGE  
& STRATEGIC ALLIANCES***



# ISSUES

- EFFORTS TO CREATE:

- ORGANIZATION-WIDE DATA STANDARDS (Goodhue)
- ORGANIZATION-WIDE INTEGRATED SYSTEMS (ERP) (Ross)

OFTEN **FAIL**

- REQUIRE MAJOR CHANGE -> ORGANIZATIONAL TRANSFORMATION

- A PARTICULAR MAJOR CHALLENGE IS:

- MISSING OR CONFLICTING INCENTIVES

# EIGHT STEPS TO TRANSFORMING THE ORGANIZATION

For the complete article, please see:

Kotter, John. "Leading Change: Why Transformation Efforts Fail." *Harvard Business Review*, March-April 1995, pp. 59-67.

# CONFLICTING INCENTIVES

- TYPES OF CONFLICTS

- BENEFIT TO CORPORATE (+) AT EXPENSE OF BUSINESS UNIT (-)

- Global Risk Management

- Global Customer Relationship (banking)

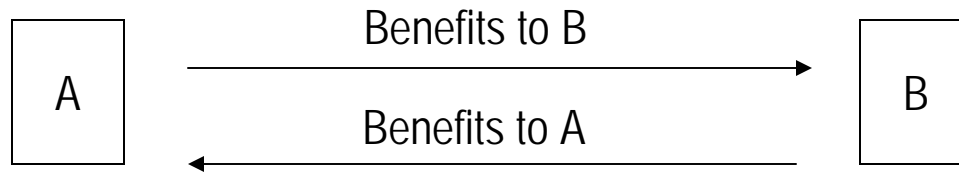
- BENEFIT TO A BUSINESS UNIT (+) AT EXPENSE OF ANOTHER (-)

- Claims processing -> Actuarial

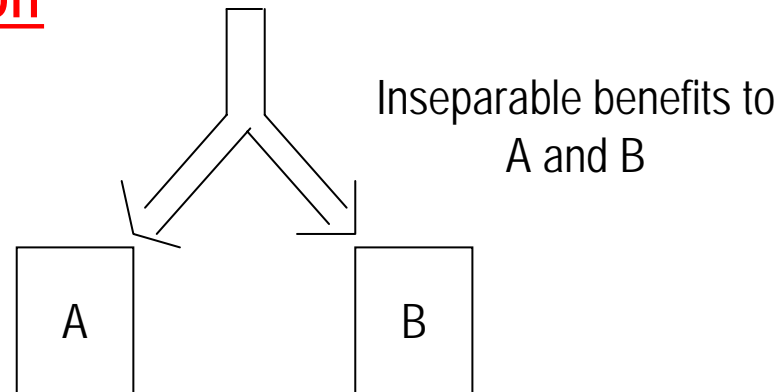
# MOTIVATING STRATEGIC COOPERATION

- **STRATEGIC APPLICATION ORIGINATION**
  - USUALLY SINGLE ORGANIZATION
  - OFTEN SINGLE INDIVIDUAL
  - EXAMPLES: OSD PROCUREMENT
- **DIFFERENT PARTS OF ORGANIZATIONS**
  - DIFFERENT GOALS AND CULTURES
- **EXTERNAL MOTIVATION**
  - FORCE (ORGANIZATIONAL POWER)
  - EXPLICIT INCENTIVE (FINANCIAL REWARD)
- **INTERNAL MOTIVATION**
  - BI-DIRECTIONAL BENEFITS
  - COOPERATIVE PAYOFF
  - ASYMMETRIC CONTROL

## Bi-Directional Benefits

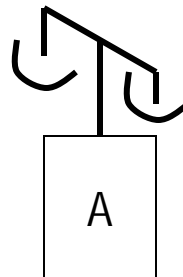


## Cooperative Payoff



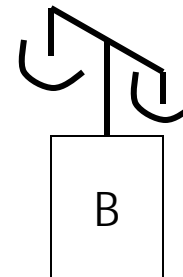
## Asymmetric Control

(-) Extra responsibility and costs



(+) Benefits of control of system

(-) Decrease control of system



(+) Benefits of system and benefits of decreased responsibility and costs

# EXAMPLE: ABBOTT NORTHWESTERN HOSPITAL MINNEAPOLIS, MINNESOTA

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77 BEDS, 1033 PRACTICING PHYSICIANS, 4000 EMPLOYEES

25 FULLY EQUIPPED OPERATING SUITES, 10 MAJOR SPECIALTY CLINICS

OVER \$225 MILLION ANNUAL REVENUE

TOP 5% OF US HEALTHCARE DELIVERY SYSTEMS IN SIZE AND REPUTATION.

TERTIARY CARE, NATIONALLY KNOWN IN CARDIOLOGY.

ONE OF 4% OF AMERICAN HOSPITALS TO SUPPORT A RADIOLOGY RESIDENCY PROGRAM.

OF 4 DOMINANT MULTIHOSPITAL SYSTEMS (41% OF 10,000 LIC. BEDS)

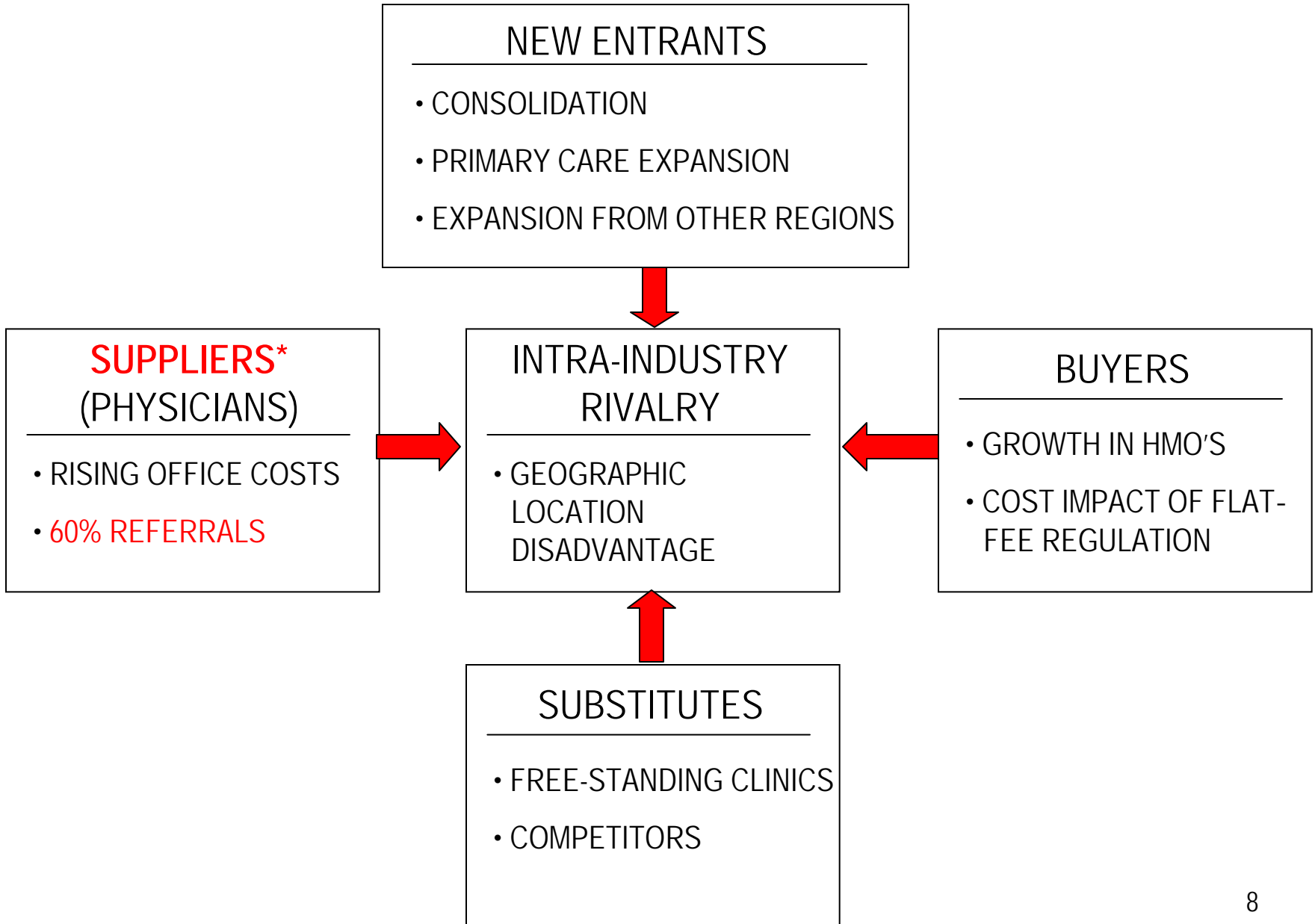
- 3RD IN # OF BEDS

- 2ND IN REVENUES

- 1ST IN OUTPATIENT CENSUS

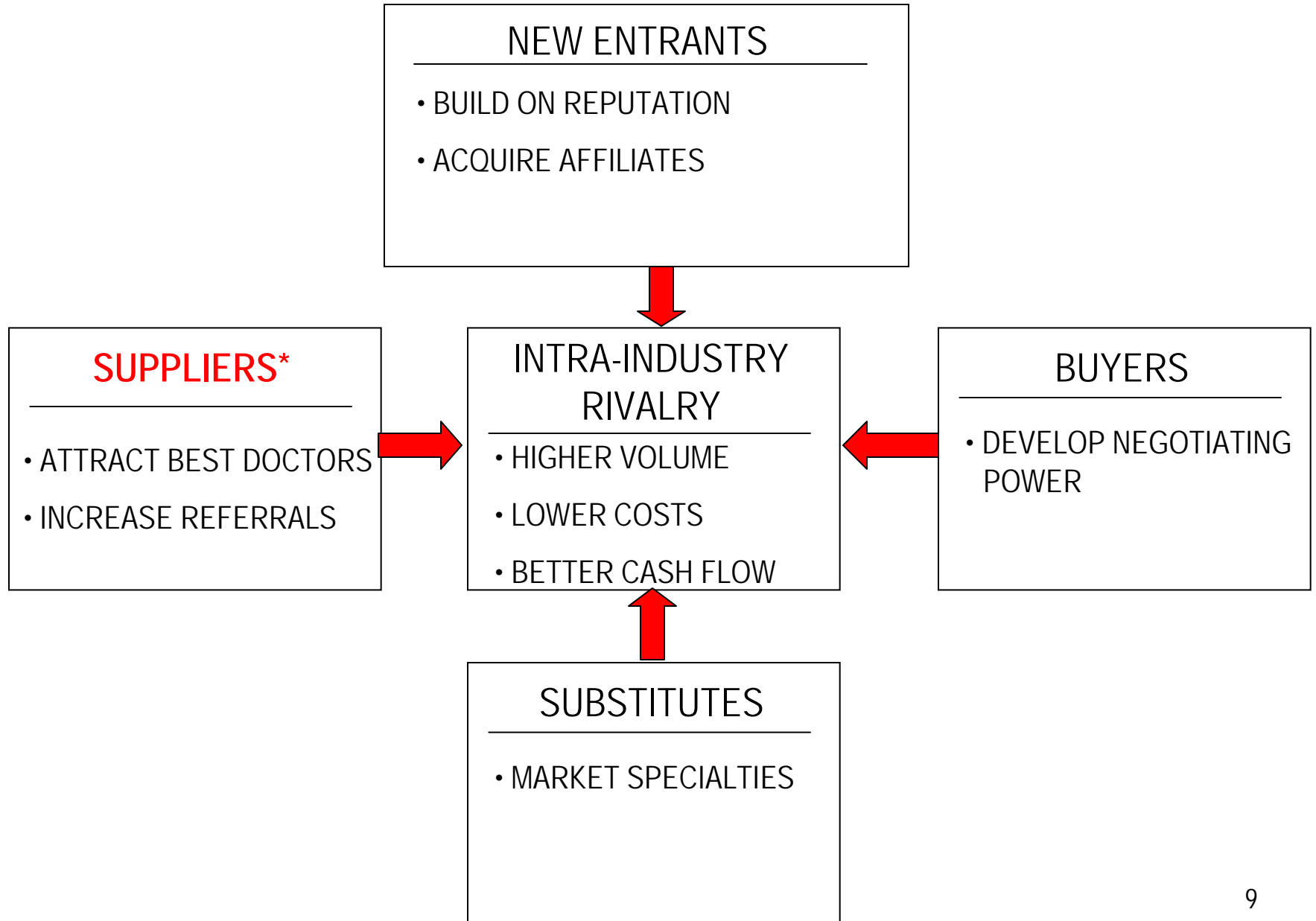
- 71% UTILIZATIONS (*Abbott*) VS. 68% (*closest competitor*) VS. 47% (*National*) AVG.

# MARKET FORCES





# PLANNED RESPONSE TO MARKET FORCES



# STRATEGIC GOALS OF PARTICIPANTS

- HOSPITAL AND PHYSICIANS
  - INDEPENDENT
  - INTER-DEPENDENT
- GOALS AND CONCERNS:

## HOSPITAL

1. VOLUME CRITICAL
2. PHYSICIAN REFERRAL (60%)

## PHYSICIAN

3. OFFICE OVERHEAD (60%)
4. REFERRALS BY OTHER DR.'S AND HOSPITAL

## HOSPITAL FUTURE (CONFLICT)

5. INFORMATION FROM PHYSICIANS FOR PRODUCTIVITY
6. CHANGE PHYSICIAN BEHAVIOR GRADUALLY, CAN'T ALIENATE

# STRATEGIC MOTIVATION STRATEGIES

## BI-DIRECTIONAL BENEFITS

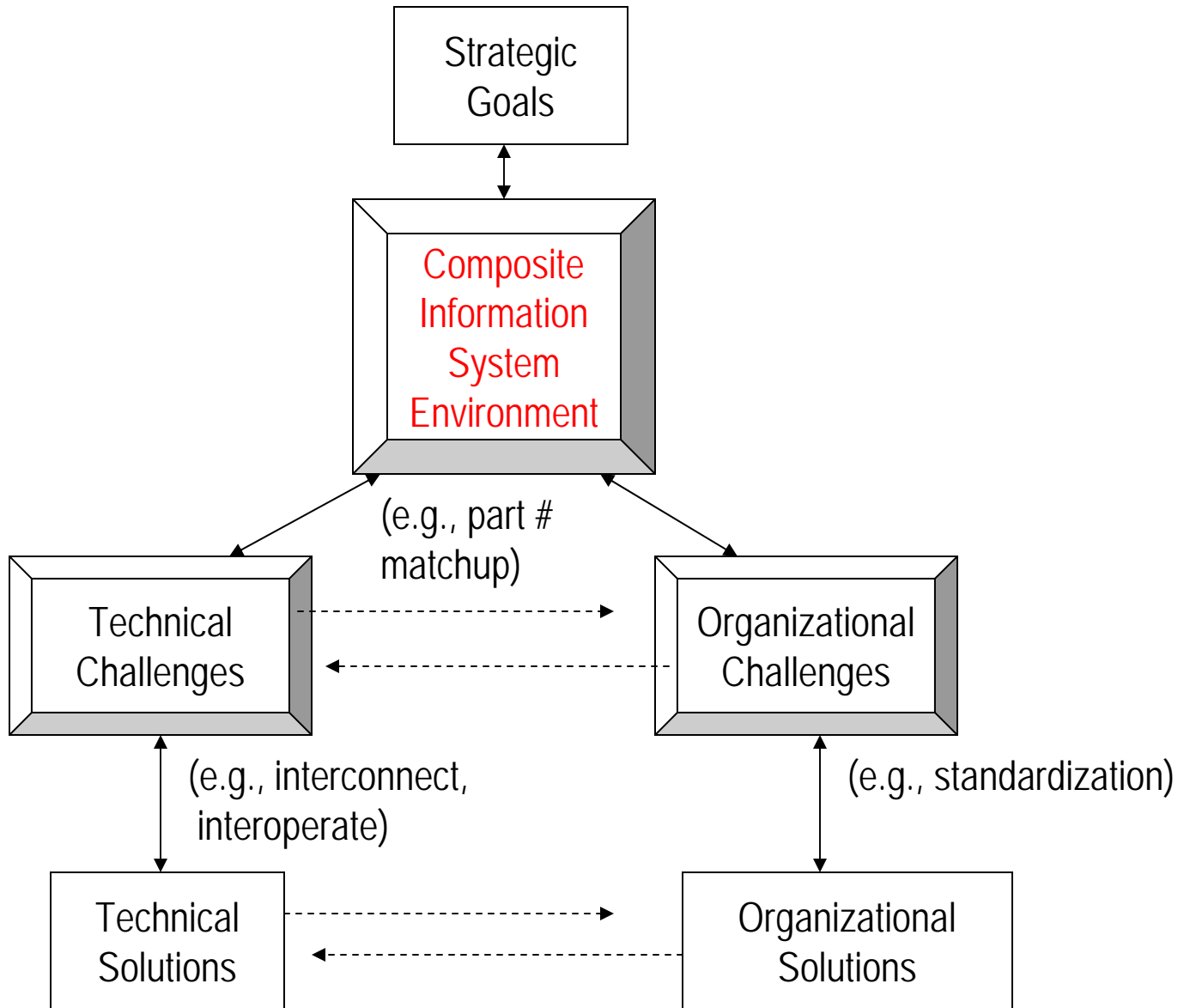
- "WHAT'S IN IT FOR ME?"
- DIFFERENT BENEFITS TO EACH; BOTH GET SOME  
E.G.: ELECTRONIC REFERRALS (P --> H, H --> P)

## CO-OPERATIVE PAYOFF

- "BETTER THAN THE OLD WAY?"
- "MUST COOPERATE" (PRISONERS' DILEMMA)
- SAME BENEFIT TO BOTH; ONLY WORKS IF CO-OPERATE  
E.G: ELECTRONIC PROCESSING OF LAB TESTS AND RESULTS  
E.G: PRE-ADMIT + OPERATING ROOM SCHEDULING

## ASYMMETRICAL CONTROL

- "WHO CONTROLS THE NETWORK?"
- PARTICIPANTS NOT EQUAL BY AGREEMENT  
E.G.: HOSPITAL MANAGES NETWORK



## CONCLUSIONS

- ESTABLISHING ORGANIZATION-WIDE DATA STANDARDS AND SYSTEMS DIFFICULT
- ORGANIZATIONS (AND PEOPLE) RARELY BEHAVE IRRATIONALLY
  - MUST FOLLOW EXPLICIT ORGANIZATION TRANSFORMATION PROCESS
  - MUST RESOLVE CONFLICTING OR POORLY COMMUNICATED INCENTIVES
- APPROPRIATE INTEGRATION TECHNOLOGY CAN HELP FACILITATE PROCESS BY
  - REDUCING OR DEFERRING CERTAIN CONVERSION IMPACTS