How a Leading Medical Lab Accrediting Organization Has Achieved Breakthrough Improvement With Transformational Leadership

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COLA, a leading clinical laboratory accreditation organization, faced a rapidly contracting market and worsening financial performance but was paralyzed by outmoded systems and a vision and mindset hamstrung by attachments to past success. In an eight-year journey, leaders and staff learned to create transformative change in themselves and on key organizational fronts, subsequently generating breakthrough improvements in performance that have set COLA on a new path to success. The authors discuss the key cornerstones of transformational change; a model of transformational leadership; and the transformation cycle COLA used to integrate these with strategic/business planning, execution, and performance monitoring. They also describe COLA's key initiatives—including governance, leadership and culture, performance measurement, sales and marketing, research and development process, and IT—and present evidence of a robust business and organizational transformation at COLA. © 2010 Wiley Periodicals, Inc.

In 1988, as the U.S. Congress was poised to enact a series of requirements for medical labs, known as the Clinical Laboratory Improvement Amendments (CLIA 88), four medical organizations took the initiative to create a private alternative for ensuring compliance with the new federal standards. The American Medical Association (AMA), the College of American Pathologists (CAP), the American Society of Internal Medicine (ASIM),[1] and the American Academy of Family Physicians (AAFP) funded the creation of COLA, a not-for-profit organization focused on improving the quality of laboratory testing in physician office laboratories through peer review and education. The strength of COLA's leadership team—along with the collective vision, commitment, conviction, and financial investment of the founding organizations—led to COLA's unprecedented rise to become the largest laboratory accreditation program in the United States.

During its first decade, COLA worked to maximize its operational efficiency so that it could continue to offer physicians a low-cost accreditation alternative to government inspection of their office lab. COLA quickly built a reputation as an industry leader for its excellent operations and high customer value.

By the mid-1990s, however, changing market forces—mainly a shrinking number of physician office laboratories—compelled COLA's board of directors to explore options for ensuring COLA's financial health, resulting in the first call for diversification in 1995. COLA launched research and development efforts to study the feasibility of extending its accreditation services to all types of medical testing sites, including large hospitals, home healthcare agencies, mobile testing sites, and nursing homes. Over the next several years, COLA invested reserves in new product development and made technology the centerpiece of its accreditation program operation, realizing significant efficiencies as a result.

But as the manufacturers of test instruments and kits simplified testing technology, physicians began

Exhibit 1. Change in COLA's Lab Enrollment, 1993–2001
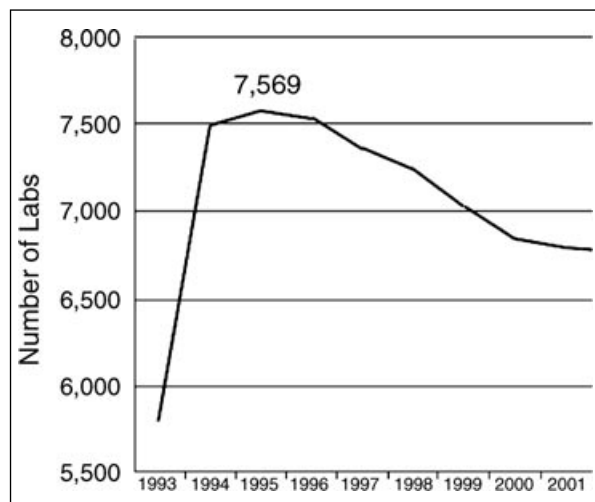
to switch from more intensely regulated testing to the category of "waived" testing, which is exempt from routine on-site inspection. In addition, many physicians were closing their office laboratories and turning instead to the growing number of reference laboratories for testing services. Fewer testing sites led to a steady decline in the number of new laboratories that contracted for COLA's education and accreditation services and the number of existing clients renewing their contracts with COLA (see **Exhibit 1**). Revenues began a precipitous decline. Because the success of its low-cost operations model was tied to the volume of laboratories to be surveyed within a geographic area, the decreasing client base made it increasingly difficult for COLA to realize the economies of scale built into its operations, and its operating margins also shrank. Even the flagship laboratory accreditation product was no longer supporting itself.

In the meantime, COLA launched several new products, but these met with only marginal success rather than the hoped-for boost in revenue growth. In order to close the gap created by declining operating revenues, COLA soon found itself having to draw on earnings from the investments it had built up through years of operation.

A Burning Platform

In 2001, COLA's founding chief executive officer, Dr. Stephen Kroger, a visionary and committed leader to quality in laboratory medicine, retired. With COLA's markets continuing to contract and lab enrollments still in free fall, the board appointed then-COO Doug Beigel (coauthor of this article) as CEO. Beigel sensed that if the organization didn't radically rethink the way it did business, COLA's current business model would fail within five years—a bleak end to COLA's success as a force in the accreditation industry, and a threat to its very survival. But he found little conviction at any level of the organization about such a burning platform; no "outside-the-box" thinking about possible solutions beyond such incremental improvements as scale-backs in product offerings and further cost-reduction strategies; and only wishful thinking about capturing a larger share of a declining market. While the board of directors had long been supportive and committed to COLA's mission, the sense of urgency to create an expanded value proposition was low.

Limited by a vision of COLA as simply "doing good" as an alternative to government regulation, the organization labored under a collective mind-set of "work harder and perhaps we will survive." Cutting costs might prolong survival, but from Beigel's perspective, to thrive would require that COLA and its leaders be bold, break the bonds of the past, and redirect resources to new areas—in short, create a new paradigm for the organization. Given the fundamental changes in COLA's markets, the organization had to understand that past success would not guarantee a bright future and, in fact, any attachment to the past would only guarantee failure.

Incremental improvements would not suffice. Future success was possible only through transformational change—a very large leap indeed for an accreditation organization whose core capabilities centered around quality and standardization, and even more to the point, for a cadre of leaders that had grown up

with organizational systems designed largely to control and maintain. Transforming the business would have to begin with transforming the organization—its systems *and* its people, and in ways that would lead to breakthrough improvement.

Leading Breakthrough Change

COLA found itself in a situation that confronts an increasing number of organizations. Many of these have mastered the methods and tools of standardization (ensuring more predictable performance by decreasing variation in a system) and those of continuous improvement (achieving gradual, positive changes that raise the performance mean across all the important systems and processes). But the social-technical tsunamis of this last decade are stretching businesses in unprecedented ways. Although standardization and incremental improvement continue to be necessary types of change, new realities now demand transformational change (i.e., a step-function shift in performance results brought about by a marked change in the nature or function of broad organizational systems, *including the softer areas of culture and leadership*).

To transform an organization is to change its very nature. This requires first the discernment of a "big idea" that will actually lead to a breakthrough in how the organization sees itself, and then movement toward a new, relevant value exchange in the world.

A difficult hurdle in transformational change is that, by and large, the majority of an organization is focused on problem solving in a day-to-day setting and in crises manufactured internally or imposed from outside the walls of the organization. Problem solving is about fixing something: Continuous improvement teams, for example, are often focused on making something disappear—waste, cycle time, barriers to better process performance, and the like. In contrast, breakthrough improvement, the goal of transformation, requires creativity—bringing something new into existence—and is arguably the

least understood yet most critical type of change work.

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Such creativity springs from the "spirit" of an organization, manifested in the passion of its people for their work and role in achieving the organization's mission and vision. To stimulate creativity, managers and leaders must build an environment and culture that nurtures the organizational spirit, which means learning to think and manage differently, to move away from the old parent-child paradigm of organization. But since many leaders and mid-level managers have grown up in organizational systems that rely heavily on the discipline of management (control and maintain), few are truly skilled in awakening the spirit of an organization and leading transformational change.

To support the comprehensive "remaking" of broad organizational systems to create breakthrough improvements, some organizations are turning to the transformation sciences, which until recently were found predominantly outside the business domain. They are embracing such concepts as awakening self, depth of relationship, consciousness of the enterprise, leading a life of meaning, trust building, and harnessing spirit in the workplace as the new capabilities for leading in a world of radical change.

In late 2001, COLA's CEO Doug Beigel partnered with a consulting firm, Transformation Systems International (TSI), to apply transformational sciences, methods, and tools to the challenge of helping COLA leaders guide the organization through one

Exhibit 2. Transformation Cornerstones

between personal vision and the organization's vision.

- *Interpersonal Mastery*—Strengthening the connection between the individual and others in the organization through capacities and skills for intentionally and effectively building productive interpersonal relationships.
- *Value Exchange*—Strengthening the connection between the organization and the outside world through a deepened understanding of the organization's value exchange with customers and stakeholders and how that value exchange shifts over time.
- *Change Methodology*—Crafting an organizational map for improvement through a strategic and systematic process that deploys those organizational development tools that will work well together to catalyze and manage transformational change.

of the most critical periods in its history. Thus began a journey that continues today.

Cornerstones of COLA's Transformation Journey

COLA embraced the holistic approach to transformational change represented by the four Transformation Cornerstones shown in **Exhibit 2**. Based on more than 20 years of research and experience, the synergistic cornerstones form a foundation for comprehensive long-term strategy and alignment for breakthrough improvement, one that avoids the fragmented results of a single-purpose approach.[2]

The premise of the Transformation Cornerstones is that effective organizational transformation begins with change in four arenas:

- *Self-Mastery*—Strengthening the connection between the individual and the organization through clarity of personal purpose, values, and direction; and understanding the relationship

Change Methodology—The Transformation Cycle

Devising a change methodology challenged the members of COLA's executive team to move away from a "program-of-the-month" mentality and begin to envision themselves as the architects of transformational change, able to develop new pathways for leading COLA into the future. As an important early step toward this goal, in August 2001 Beigel and his executive team adopted and then launched COLA's first 18-month Transformation Cycle, shown in **Exhibit 3**, a change methodology developed by Transformation Systems International as a result of years of collective experience and field testing in many public and private organizations.[3]

The Transformation Cycle, based on a plan-do-study-act (PDSA) framework, provides a disciplined methodology and tools for planning, achieving, and monitoring breakthrough improvement in the major systems that underpin the organization's ability to perform. It includes many of the traditional components of strategic planning, such as assessing and diagnosing the organization, defining a mission and

Exhibit 3. Transformation Cycle
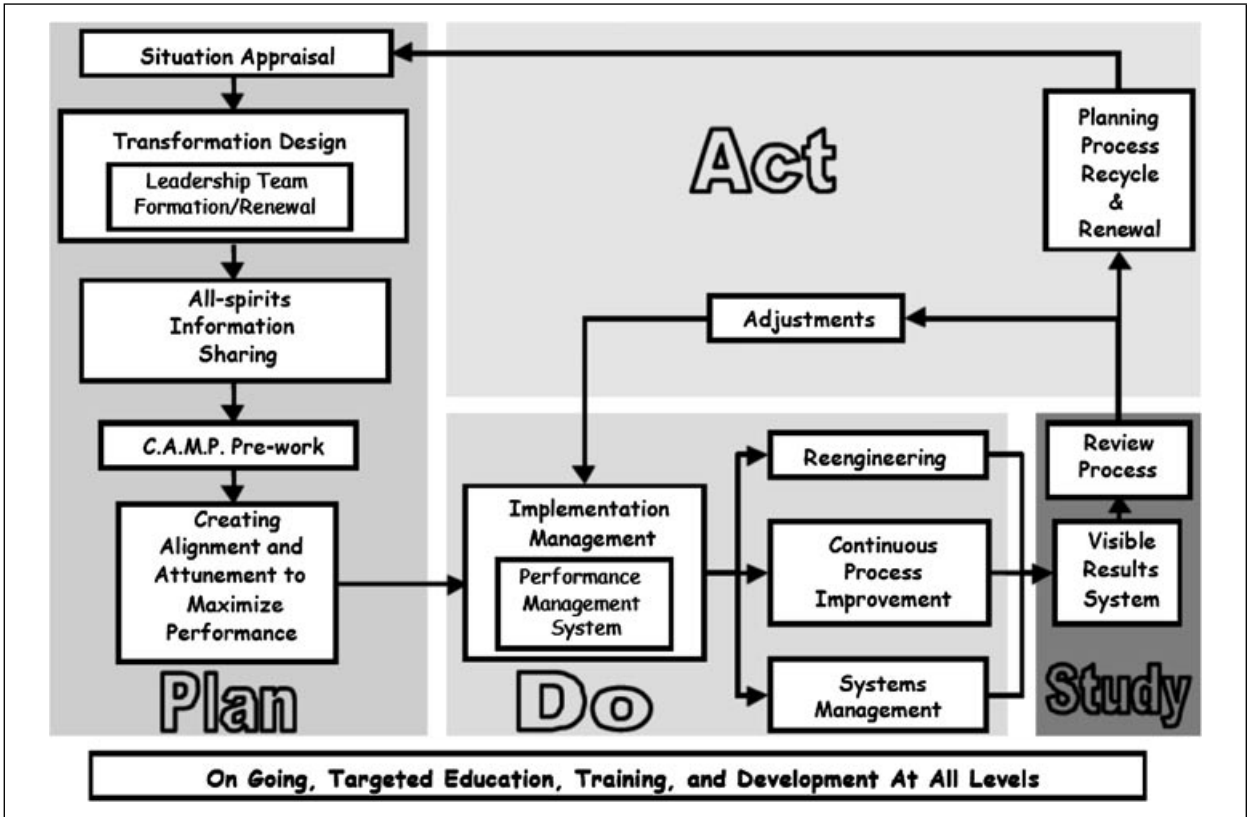
vision, and identifying improvement objectives to support the vision. The uniqueness of the Transformation Cycle lies in the attention paid to activities important for supporting the large-scale transformation needed by COLA, including:

- building commitment to the transformation plan;
- managing implementation;
- developing a balanced performance measurement system to track progress;
- systematically improving knowledge and skills and nurturing the capabilities, behaviors, and organizational dynamics needed to achieve the organization's vision; and
- aligning individuals and teams toward common objectives.

Importantly, woven into the Transformation Cycle are a number of group and individual activities that focus conversations about self, interpersonal, and enterprise (value exchange) mastery—the other three transformation cornerstones—and help to build commitment and alignment across the organization. Sequential transformation cycles bring the organization ever closer to its vision as it renews and executes against strategic goals in response to internal and external changes.

Situation Appraisal

Given the severity of the current threat that COLA faced, the situation appraisal, the initial step in the first transformation cycle, examined all nine major organizational systems, or fronts, important for achieving performance improvement: planning;

Exhibit 4. The Wall
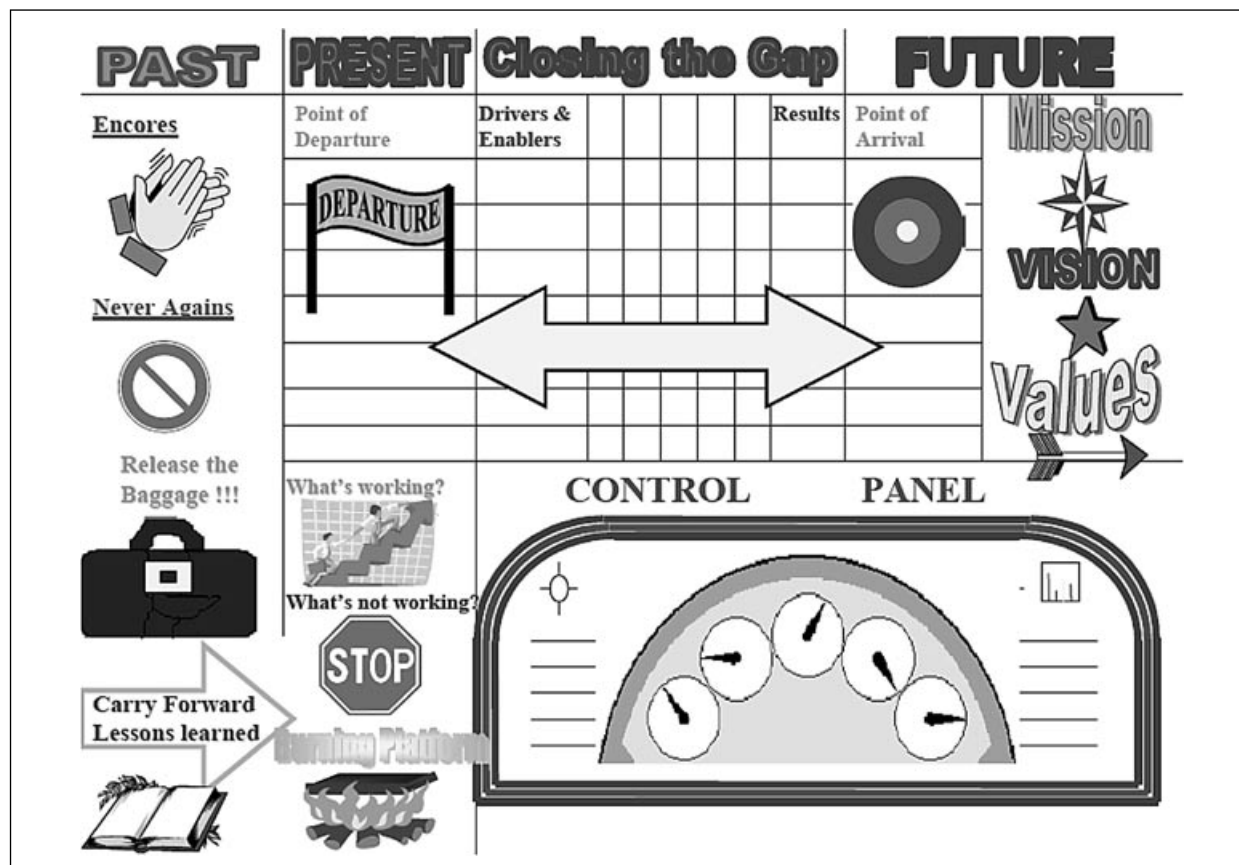
measurement; culture; motivation; education, training, and development; infrastructure; technology; politics; and communication. The CEO realized that resources were limited, and that service levels to physician office laboratories—the core business—had to be maintained even as the organization remade itself. The situation appraisal provided data about the current state of the organization that the executive team would draw on in the next step of the cycle to understand which fronts to leverage at which times in order to optimize improvement efforts.

Transformation Design for 2001–2002

With the data from the situation appraisal in hand, the executive team employed a planning process, known as The Wall, to converge on the top improvement efforts to which COLA should devote resources during the transformation cycle.

The Wall, which is presented in storyboard fashion in **Exhibit 4,** was a powerful tool for achieving clarity and alignment around COLA's strategic direction, not only within the executive team but eventually at all levels of the organization. Through its use, Beigel and his team were able to utilize learnings from the past, develop a new understanding of both the present (the current state/situational analysis) and the future, and then outline a new vision for COLA.

COLA's founding vision had been the "preferred compliance vehicle" for laboratories. Indeed, its entire history was closely interwoven with the federal

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government regulations. As a key outcome in this early stage of the transformation journey, the executive team conceived a new vision for COLA: a larger, more significant role in medicine as the premier clinical laboratory education, consultation, and accreditation organization. This broader vision would enable COLA to offer a greater value exchange with its clients by supporting laboratories' goals for greater safety, efficiency, compliance, quality, and—above all—delivery of the best possible patient care.

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The executive team proceeded to identify and prioritize the gaps between present performance and the desired vision/future state and then to select key breakthrough initiatives. Although work needed to be done on every organizational front, too many initiatives risked overwhelming the organization and diluting resources beyond the level of effectiveness. The team chose and sequenced the top three priorities according to which changes needed to happen first in order to set the stage and build the capabilities needed to drive subsequent changes on other fronts in the years to come. These first transformation initiatives addressed major gaps on the planning/political, measurement, and leadership development/culture fronts.

The Governance Initiative

In the absence of a sense of urgency and a new vision for COLA, especially at the top of the organization, a sort of blind adherence to COLA's current business model and operating style would continue to hamper any movement forward. The governance initiative, led by the CEO, sought to awaken the consciousness of the board of directors to the burning platform COLA faced and to develop board members' commitment to COLA's long-term success.

Beigel led the board of directors in a process similar to the Wall exercise done by the executive team to achieve understanding and agreement about lessons from the past, a new vision of the future that was not hamstrung by the past, and the core competencies needed to carry forward. He sought the freedom to experiment in new markets and with new approaches to the core business. At the same time, he engaged the board in a candid discussion about how it and the executive team worked together, laying the foundation at this level for the trust-based relationship essential for leading COLA into a very different future.

The Balanced Scorecard Initiative

Earlier in 2001, Beigel had introduced a rudimentary Balanced Scorecard to begin to create a set of reliable metrics for gauging business and organizational performance. As a result of the August 2001 Wall exercise, it became clear to the executive team that the initial attempt at a measurement system was not adequately linked to the emerging vision and strategic direction—in short, it had to be strengthened as an integral part of the transformation design. They also saw the need to engage all the leaders in the organization in measurement, with the goal of embedding a causal mentality and a disciplined practice that linked individual and collective action to measurable organizational and business results.

The team adopted the COLA Strategic Scorecard, a few key performance indicators/metrics visibly displayed in control charts, as the "control panel" for gauging and communicating progress toward successful achievement of the vision and strategic goals. The expectations were that the scorecard would continue to be strengthened and refined over subsequent transformation cycles until COLA had a robust system that made performance results visible to the entire organization. As an important element

for assuring follow-through, the executive team also declared its firm commitment to monthly and quarterly reviews to monitor and evaluate the effect of change actions on performance as reflected in the Strategic Scorecard.

The Transformational Leadership Initiative

The goal of the Transformational Leadership initiative (discussed in detail below) was to go well beyond conventional leadership development programs and help COLA leaders build the personal and collective capacity (self-mastery and interpersonal mastery) for leading transformative change. It first engaged the entire executive team in an individual and group process of *personal* and *interpersonal* change, and would eventually encompass all COLA managers and system owners.

> The goal of the Transformational Leadership initiative was to go well beyond conventional leadership development programs and help COLA leaders build the personal and collective capacity (self-mastery and interpersonal mastery) for leading transformative change.

The three early initiatives that emerged from the Wall exercise formed a broad roadmap that would later be communicated to the organization as a whole, and would then guide more detailed transformation planning by mid-level managers and system owners to assure buy-in and alignment of efforts across all parts of the organization.

The Transformational Leadership Initiative

Traditionally, organizations promote their best managers to leadership positions—including leadership of transformation initiatives—which require different work and thus different skill sets than management roles. Likewise, COLA was relying on its best managers at the executive and middle management levels to lead its transformation because they had a deep understanding of the business itself and were superior performers as managers. Unfortunately, great managers are not necessarily equipped to be great leaders of transformational change.

The transformational leadership initiative, launched in the autumn of 2001 with all members of the executive leadership team, including the CEO, focused initially on helping the team understand the differences between management and leadership:

- *Management.* Management is defined here as management of a system/subsystem, rather than a position or title. Major management tasks can be viewed as planning, budgeting, organizing, staffing, controlling, and problem solving. Great managers organize the current known assets and resources of the organization to deliver upon its present mission. Skillful in the areas of analysis and administration, they are energetic in their work and demonstrate high individual performance. It is said that management is of the mind—combining both intellect and hard work.
- *Leadership.* Key leadership tasks might be described as establishing direction, aligning people, motivating, and inspiring. This is why leadership is often said to be of the spirit. It is well understood theoretically that leaders move organizations to a new place. Driven by a deep personal commitment to the goal at hand, leaders seek to effectively address expected and unexpected barriers.[4] Transformational leaders, in particular, are designers, stewards, and teachers. They are responsible for building organizations in which people continually expand their capabilities for understanding complexity, clarifying vision, and improving mental models.

The Transformational Leadership Model

TSI introduced the executive team to the Transformational Leadership Model, shown in **Exhibit 5**, as a framework for thinking about the full spectrum of individual leadership capacities and talents,

Exhibit 5. Transformational Leadership
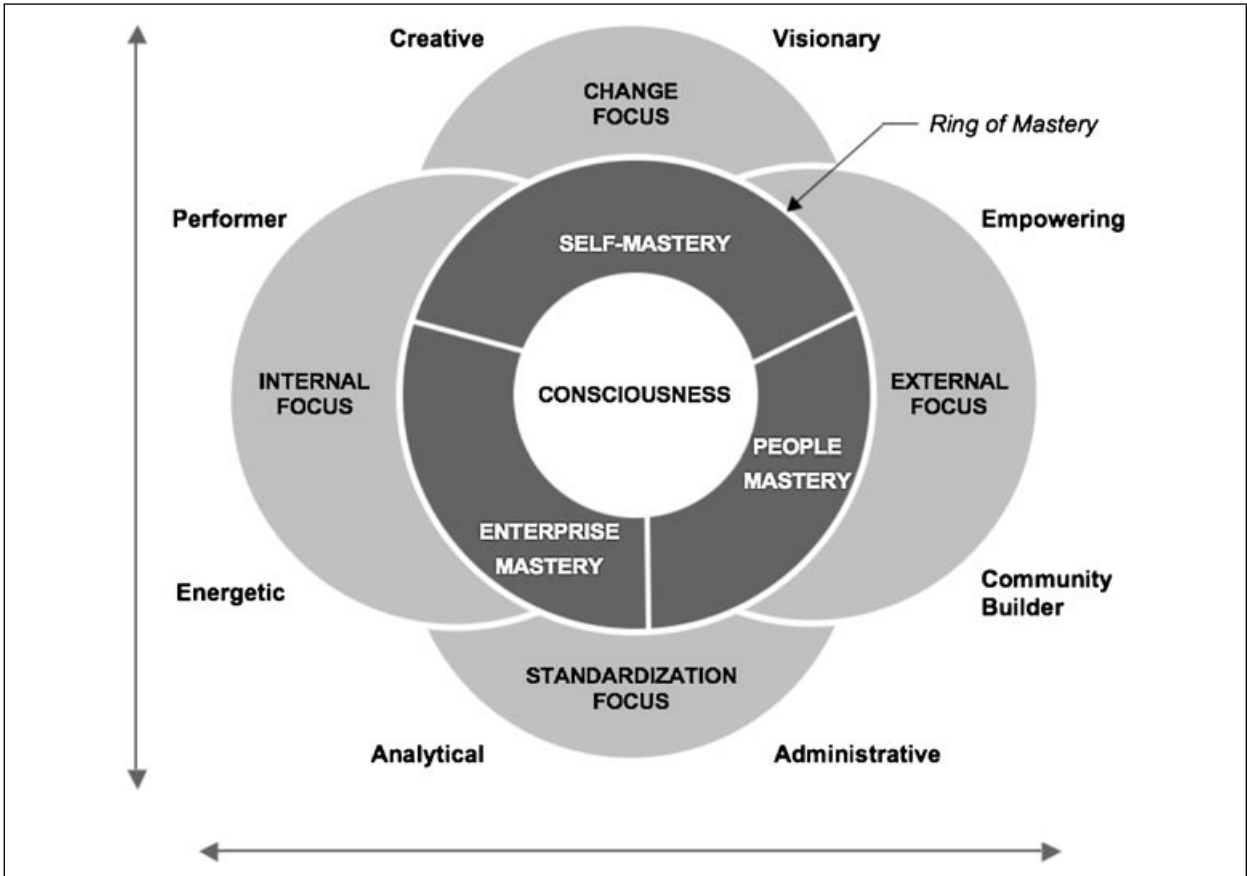
including those needed to drive transformative change in organizations.

Consciousness. Consciousness is at the heart of the transformational leadership model. This entails developing awareness in the three domains represented by the *ring of mastery* shown in Exhibit 5:

- *Self-Mastery.* Awareness of one's environment and one's own existence, emotions, sensations, and thoughts is a prerequisite to becoming a transformational leader in any organization. Self-mastery includes clarity of purpose, vision, planning one's direction in life, meditation, reflection, and feedback—all of which are imperative for

deliberate and productive growth. Effective transformational leaders have developed self-mastery and are clear about the connection of their personal vision with the vision of the organization. However, self-mastery also extends beyond self to a commitment that others walk a path to self-awareness. Transformational leaders are engaged in the lives of the people in their organizations, encouraging personal growth, feedback, continuous learning, and mentoring.

- *People Mastery.* Interpersonal or people mastery requires both personal consciousness and collective consciousness—an understanding of the attitudes, behaviors, beliefs, and assumptions of the team/organization. It also involves developing

skills in group dynamics, building trust with others, effective communication skills, relationship management, and management of agreements. Gaining awareness and better skills in how one interacts with others is a lifelong journey and commitment to personal growth.

- *Enterprise Mastery*. Enterprise mastery speaks to collective consciousness of the people working within the organization and among its broader stakeholders, a consciousness of shifting value exchanges to which the organization is a party. Understanding the reason for the organization's existence and its "license to operate" are key components. This calls upon the organization's leaders to develop the skills and capacity to be chief architects and engineers for business as executed through strategic planning and design. It also requires competencies in the areas of benchmarking, organizational culture, process improvement, motivation systems, evaluation, and performance measurement.

Internal and External Focus. The horizontal continuum in the transformational leadership model represents leadership focus. Transformational change requires that leaders be broad-minded, possessing both an internal and an external focus on the effects of breakthrough change:

- The *internal view* points to understanding and appreciation for how the change is experienced within the organization.
- The *external view* is understanding how the change impacts persons and systems outside the organization.

Focus on a Continuum of Change. The vertical continuum in the model depicts the continuum of the scale of change that leaders must be able to manage. Transformation leverages three types of change along this continuum:

- *Standardization* (at the bottom end of the continuum) allows the organization to build upon a

strong foundation of successful procedures while removing the non-value-added variations in performing daily work.
- *Continuous improvement efforts* are aimed at achieving gradual, positive changes in performance.
- *Breakthrough efforts* (at the top end of the continuum) are intended to accomplish radical, step-function performance changes.

Standardization and continuous improvement are largely within the realm of management and require both an investment of the mind and problem-solving expertise. Breakthrough improvement requires transformational leadership—an investment of conscious commitment and spirit at the individual, group, and organizational levels. Transformational leaders understand the continuum of possible change and are able to make decisions about which kinds of change are needed to achieve the vision and goals of the organization.

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Embracing Polarities. The leadership attributes that anchor both ends of the multidimensional continuums contained within the model speak to the concept of polarity (i.e., two opposing attributes, tendencies, or principles). In today's world of accelerating change, it is insufficient to operate at just one end of the continuum. Rather, transformational leaders must discover and master the capacity to encompass the entire range, determining and calling upon the best skill or quality for any given situation.

The Executive Team's Journey
Each member of COLA's executive team began a transformation journey at the personal and

interpersonal level, gaining a deeper understanding of self in terms of life purpose, vision, and values and pursuing his/her own development process, which included an assessment of current level of leadership skills. As significantly, the team also began a series of conversations to understand more deeply the mental models (mind-sets) that informed COLA's current performance levels. For the most part, these conversations occurred in the context of the business conducted at all regular team meetings, with the TSI consultants in attendance to help facilitate the team's reflections and learnings.

Through open-ended conversations and coaching by executive coaches, COLA's top leaders began to understand how the team itself was holding the organization back. They came to realize that in their daily practice, they had each dedicated a large amount of their time to management of the day-to-day issues, operating from a largely management orientation focused on optimizing current systems, with little focus on the future of the organization. They were "stuck" in the story of COLA's past success and in an old CEO-driven command-and-control management style that no longer served the organization. The executives soon saw that COLA's success in the future depended upon the creation of new organizational systems and substantive changes, which they would be equipped to lead only if they—individually and collectively—developed the requisite transformational leadership capacities.

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With time of the essence, the executive team asked of itself high commitment to personal and relationship transformation. Members coached one another to unfreeze old paradigms and committed to trying new approaches to leadership. They focused on building trust with each other, moving away from the historical CEO-centered command-and-control to shared leadership, in which they would work together on a series of high impact efforts. A *real* team began to emerge with new characteristics and qualities, including a collective vision; a high level of trust among members (essential for sharing leadership); and high consciousness of personal purpose, vision, and value, including individual strengths that would contribute to the team's overall success. Finally, the team began to effectively generate a mindset that embraced creativity and to demonstrate greater tenacity in seeing things through.

Engaging the Rest of the Organization

The remaining steps in the Plan phase of COLA's 2001–2002 Transformation Cycle (Exhibit 3) were designed and executed with the following overarching intentions:

- Energize the rest of COLA's managers and staff around the transformational journey and the transformation design developed by the executive team.
- Align efforts COLA-wide around the transformation initiatives by involving mid-level managers and system owners in the creation of detailed implementation plans in their parts of the organization.
- Begin the process of developing transformational leadership capabilities below the executive team level.

The Transformation Design developed by the executive team was communicated to the entire organization at the first All Spirits Information Sharing session, which prepared people for the Creative Alignment to Maximize Performance (CAMP) event, a three-day forum that engaged all employees in the transformation platform and built a common "transformation" vocabulary the organization could utilize going forward.

The CAMP Event

COLA's managers and system owners would be leaders of transformation in their areas of the organization. The Creative Alignment to Maximize Performance event, the centerpiece of every transformation cycle, uses the concept of "alignment and attunement" to invite these individuals to find their own life direction and how that direction "fits" with the new vision of COLA, to discover their personal passion and how they aspire to contribute to the transformation plan. In short, the CAMP event seeks to create an "organization of meaning" in which purpose informs all parts of the organization to operate with a strong sense of intent and common will to achieve breakthrough results. Participants complete a number of prework assignments and then convene in an off-site event, also attended in full by the executive team, that provides the structure and setting necessary for aligning and attuning this broader leadership group to the main task at hand, developing a detailed transformation plan for the current cycle.

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In 2001, COLA's first-ever CAMP event expanded to mid-level managers and system owners the process of building a capacity for transformational leadership through the development of self, interpersonal, and enterprise consciousness—the same journey the executive team had begun a few months earlier. As their CAMP prework, participants used a life-planning tool, which had also been used by the executive team, to expand their own self-knowledge to foster personal clarity about one's life purpose, vision, and goals. This clarity enables individuals to powerfully engage in the change under way, to design and declare their new "fit" within the organization and how they wish to contribute. In cases where a person might find that a "good fit" is absent, more often than not he/she exits the organization clear, committed, and focused on the future without the normal downside and emotional turmoil of the typical employee departure.

The CAMP event itself included intensive work at the individual and group levels. The managers and system owners were called upon to examine attitudes and behaviors that have held them—and COLA—back in the past, and were invited to explore the consequences of failure to change. As with the earlier governance initiative with the board of directors, a dawning awareness of COLA's burning platform fueled these discussions with a sense of great urgency and purpose. TSI's CAMP facilitators then introduced the participants to more effective mind-sets for achieving performance improvement at COLA.

COLA made a considerable investment in changing the mind-set of the larger leadership body, and on focusing the managers and system owners on consciousness at the individual and collective levels and action that leads to specific measurable results. As the CAMP participants articulated a clear life plan, a deeper consciousness emerged for many about the "fit" of work life into their total life. With this new clarity of self and life direction, many COLA managers sensed a stronger "call to leadership," while several self-selected out of leadership positions to focus their life energy on their passion. As a later benefit for COLA's transformation journey, individuals who shifted roles within the organization were able to do so with purpose rather than as "victims" of the change effort under way.

Building on this foundation and the top transformation initiatives identified by the executive team, the CAMP participants then created detailed

transformation plans to drive change efforts in all the parts of COLA's organization during the transformation cycle, initiatives that leveraged the full continuum of change—transformational, continuous improvement, and standardization—needed to strengthen performance in the core business while making breakthrough change. The plans included targets, objectives, and performance measures to link action to measurable results and nurture the notion of a performance culture at COLA.

The Implementation Phase

The end of the CAMP event marked the beginning of the Implementation (Do) phase of the transformation cycle, during which implementation teams carried out the work in the transformation plan. In the Study phase of the cycle, the executive team met monthly and quarterly to review progress of the teams against their objectives and the Balanced Scorecard performance metrics, making whatever adjustments were necessary to the implementation plans. In addition, all mid-level managers and system owners, meeting together on a quarterly basis, continued to engage in conversations about the concept of transformational leadership, deepening over time their collective understanding of what would be required to lead the transformation of COLA.

Subsequent Transformation Cycles at COLA

COLA's initial 2001–2002 Transformation Cycle and its three transformational initiatives laid a organizational foundation that then enabled COLA to drive in later cycles for breakthrough results in key performance areas. For each ensuing 18-month transformation cycle, the organization again focused on just two to three key transformation initiatives.

The work on cultural transformation begun by COLA's leaders in the 2001–2002 cycle continued, and over time the organization shifted away from a culture focused predominantly on "doing good" to a culture focused on performance to achieve the new, compelling shared vision. A new mind-set has also emerged, one centered on (1) intentional thinking (a shift from a victim mentality to shaping results); (2) the necessity for breakthrough results; and (3) a shift from scarcity thinking (which feeds competition and protectiveness) to abundance thinking (which engenders collaboration and commitment to mutual goals).

In addition, the second and third cycles gave birth to new transformation initiatives for achieving the following:

- stronger sales and marketing capabilities,
- an effective research and product development process,
- transformation of IT systems and capabilities,
- access to expertise through effective partnerships with vendors, and
- expansion into international markets.

The first three initiatives listed above had particularly significant implications for the organization and, ultimately, for the turnaround of COLA's business and are discussed in more detail below.

> To survive and succeed, COLA had to radically transform its approach to sales and marketing, beginning with changing a culture that viewed selling as a "necessary evil" at best.

Sales and Marketing Capabilities

COLA had a ten-year history of fits and starts in attempting to turn around its sales and marketing efforts, to no avail. Better sales techniques alone would not bring about the needed change. To survive and succeed, COLA had to radically transform its approach to sales and marketing, beginning with changing a culture that viewed selling as a "necessary evil" at best. In 2004, COLA partnered with an outside firm, whose owners and unique approach mirrored values shared by COLA, to assist it in

understanding how to best equip the organization with new capacity for effective sales and marketing, including nurturing the necessary shift in mind-set and acquisition of desired skills.

The initiative helped an organization staffed predominantly with quality improvement educators to eventually see that *everyone* in COLA is part of the sales team—an initially difficult hurdle to overcome, and perhaps the greatest challenge for many people in the organization. Ultimately, the entire organization embraced a deeper meaning for "selling" as a vehicle for client quality improvement and greater fulfillment of COLA's new vision. Why not keep customers informed of "meaningful" products and services from COLA if such offerings could help customers to do their work more effectively and better fulfill their own organization's mission?

COLA staff also reflected much more deeply about their relationship with customers, and with each other, in terms of redefinition of roles and embracing new responsibilities in this area. A key to breakthrough change was the realignment of the role of COLA surveyors, from one of execution, focused solely on providing clients with technical counsel and the routine on-site survey for accreditation, to that of strategic partner, serving as the frontline, face-to-face connection with the customer and actively contributing ideas that will generate greater value for customers and COLA alike. Invited to become full players in achieving COLA's new vision, these members of the staff have embraced their expanded role as "COLA ambassadors" and are now an integral part of building the business.

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Also in 2004, COLA implemented a number of tools to support greater sales efforts:

- an IT system that more effectively managed sales leads, with a capacity for handling a 500-fold increase in the number of monthly sales leadsand
- a custom pricing model that enabled COLA to better compete on price state-by-state with local competitors for laboratory accreditation services.

COLA also understood from its own history that sustainable sales success hinged upon customer loyalty and retention (e.g., renewal of contracts and purchase of additional products/services), which in turn are influenced by the quality of COLA's customer service. In order to stimulate its own thinking and creativity about how to better serve its customers, in 2004 COLA also began to benchmark organizations that excelled in customer service, which has led to its implementation of a number of new practices to strengthen this important function.

R&D Process
Another major initiative entailed the development of an effective process for vetting new products and services aligned with COLA's new vision and value exchange. This led to the subsequent launch of new accreditation products for transfusion services in 2004 and anatomic pathology services in 2005. The products opened new markets, enabling COLA staff, now equipped with greater sales and marketing capabilities, to attract larger, more complex laboratories across the country as new COLA clients.

IT Transformation
Beginning in 2005, COLA launched a redesign of its legacy IT systems and built a paperless, real-time

Exhibit 6. Growth in COLA's Laboratory Enrollment, 1993–2009
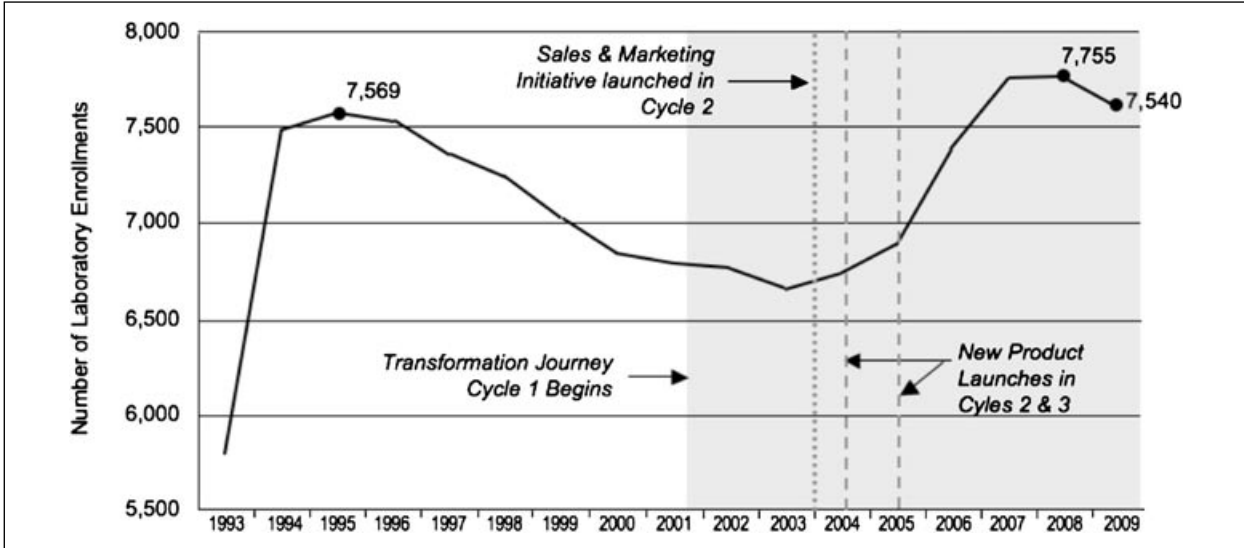
accreditation program. As a result of these innovations, COLA and its clients now enjoy a portal for accreditation and quality laboratory medicine that is truly state-of-the-art in the industry. The success of these initiatives required not only surmounting technical challenges, but also changing entrenched thought patterns and organizational dynamics that stood in the way of success.

In an organization focused primarily on quality, it was difficult at any level of the organization to admit failure, an underlying pattern that surfaced in a robust and adverse way as COLA began to implement the many facets of its IT transformation. The scope and visibility of the work suddenly raised the potential for individual and group failure, and with it potential threats to personal and organizational identities based on a commitment to always delivering excellence. In response, the organization acted out of a need to "paint a good picture" of progress rather than openly acknowledging and addressing any problems encountered, thus obscuring any clear picture of the actual performance of the IT implementation. Eventually the organization became aware of the underlying counterproductive patterns of thought and began to face the hard facts

of an implementation in trouble on multiple fronts. With this awareness, COLA staff learned how to best trust one another in terms of communicating failures, and to make quick course adjustments that minimized lost time and resources and got the implementation back on track.

The Turnaround
COLA's CEO understood that transformation was a long-term matter that required patiently laying the all-important organizational groundwork in the early cycles and then tackling major performance gaps with targeted initiatives in later cycles, all guided by the new vision of COLA as the desired future state.

Business Metrics
During the second and third transformation cycles, the organization began to harvest the hoped-for breakthrough results, one of the most impressive being the turnaround in laboratory enrollments. As shown in **Exhibit 6**, the long-term decline in the number of enrollments, which had begun in 1996, turned the corner during COLA's second transformation cycle, after the launch of the sales and

marketing initiative. Further fueled by new product launches in 2004 and 2005, growth in annual enrollments continued to accelerate through 2007. This breakthrough performance has been broad-based, reflecting COLA's improved effectiveness in attracting new clients, retaining existing clients, and increasing revenues per client.

With the widespread economic recession, COLA has once again found itself facing harsh external constraints on its business, as have countless other organizations. But this time COLA has been able to respond from a position of much greater financial and operational strength, thanks to its work at transformation. Even with the downturn in its markets in 2008 and 2009, COLA has still sustained an overall 11 percent increase in laboratory enrollments since 2001.

Between 2001 and 2009, the eight years of COLA's transformation journey, COLA also reaped impressive gains in other key business metrics despite the global recession:

- substantial increases in total revenues (57 percent), accreditation revenue per lab (40 percent), and sales of its education product (568 percent);
- consecutive net operating surpluses in the last three fiscal years (the first time this has happened in its history, and a further indicator of the robustness of its transformation); and
- a return on investment of 7.5 percent on its major investments (2004–2009) in IT initiatives and additional development.

Organizational Metrics
During the same eight-year period, the organization has been able to preserve and further develop its internal capabilities through high retention and internal growth, and to further expand capabilities in key areas though effective external partnerships:

- COLA has experienced 0 percent turnover in sales, production, and accounting staff.

- Staff size has doubled in sales, production, and accounting, and more than doubled in IT and accreditation, while operating margins have grown.
- As an outgrowth of its partnering initiative and other aspects of its transformation, COLA has tripled the number of industry partners—all quality-driven organizations drawn to COLA's vision of improving laboratory medicine and patient care.

Closing
With support of the board, the COLA executive team and the entire staff have not only accomplished the targeted breakthrough performance results they sought but also developed a new core competency for navigating future business and economic tsunamis. Today, COLA is a more resilient, energized organization engaged in a greater value exchange with customers, vendors, and, indeed, all its stakeholders, internal and external. Financial stability has replaced the burning platform that threatened its very survival. And even as the organization contemplates even greater changes that loom ahead for the health care industry, it does so with a strong sense of purpose and confidence as it continues to strengthen its capabilities for leading and creating transformational change.

Notes
1. ASIM is now known as the American College of Physicians.

2. Hacker, S. K., & Wilson, M. C. (with C. S. Schilling). (2005). Transformation desktop guide: Work miracles in your organization. Salem, NH: Goal/QPC.

3. Ibid.; also see Sink, D. S., & Morris, W. T. (with C. S. Johnson). (1995). By what method: Leading large-scale quality and productivity improvement efforts. Norcross, GA: Industrial Engineering and Management Press.

4. Bruch, H., & Ghoshal, S. (2004). A bias for action: How effective managers harness their willpower, achieve results,

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and stop wasting time. Boston, MA: Harvard Business School Press.

Additional Resources

Hacker, S., & Roberts, T. (2004). Transformational leadership: Creating organizations of meaning. Milwaukee, WI: ASQ Quality Press.

Hacker, S. K., & Willard, M. L. (2002). The trust imperative: Performance improvement through productive relationships. Milwaukee, WI: ASQ Quality Press.

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