

Prescription for Innovative Leadership: A Strategic IT Out-Tasking Approach Helps Stanford Hospital and Clinics Accelerate its Business Transformation Program

Executive Summary

CUSTOMER NAME

Stanford Hospital and Clinics (SHC)

INDUSTRY

Healthcare

CHALLENGE

- Rapidly revitalize SHC's business performance with information technology (IT) as a core enabler.
- Sustain SHC's top-five market position, moving toward the executive team's goal to become the top U.S. hospital.
- Quickly ramp up IT capabilities following a period of limited investment.
- Determine the IT organization's core capabilities and role in the context of a long-term business and clinical strategy.
- Position the Office of the CIO (OCIO) as a leader for innovation, enabled by advanced technologies, across SHC.

SOLUTION

- Work with the Cisco Internet Business Solutions Group (IBSG) to develop a customized IT out-tasking strategy.
- Position the OCIO to advance the hospital's revitalization and innovation.
- Develop an out-tasking program with the right scope, governance model, and operational structure to drive IT effectiveness with the best value for investment.
- Utilize out-tasking as an investment opportunity for IT.

BUSINESS VALUE

- Transform the OCIO into an organization focused on innovation, leading solutions and consistent operational effectiveness.
- Increase capital investment in IT.
- Increase IT staff capacity for operational services.
- Increase management focus on IT-enabled clinical and service innovation.
- Greater value per dollar invested in IT capabilities in terms of both headcount and capacity.

Stanford Hospital and Clinics in Palo Alto, California, (SHC) delivers patient care in more than 100 specialty and subspecialty areas, and is one of the top five academic medical centers in the country. Operating in a highly competitive market, the hospital and its clinics attempted, unsuccessfully, to merge with another large medical center during the late 1990s. Throughout merger discussions, IT investments at SHC were limited. In 2003 a new leadership team took charge, re-energizing the hospital's strategic direction and operational effectiveness. Executives saw a clear need for significant investment in IT to ensure the hospital's reputation as a leading center for healthcare and customer service—a necessity for continued revenue growth.

As a long-standing **Cisco Systems®** customer, hospital and Cisco executives explored several ways Cisco and its **Internet Business Solutions Group (IBSG)** consulting organization could support SHC's turnaround. When the potential benefits of out-tasking IT services became a discussion point, SHC President Martha Marsh and CIO Carolyn Byerly agreed that an IT out-tasking strategy was a top priority.



Prepared by Cisco Systems, Inc.
Internet Business Solutions Group

BUSINESS CHALLENGE

At the heart of SHC's out-tasking strategy was the desire to hold the hospital's business and IT destiny in its own hands, yet quickly expand the OCIO's capabilities and resources—in terms of both people and technology. At the same time, the Hospital faced an urgent need to return to profitability following several years of operational losses. Funds for capital investment would remain limited in the near-future, yet IT investment was critical for the hospital to continue delivering “world-class” patient services. At the same time, like other U.S. health systems, SHC faced a variety of market pressures, including new federal regulations with stringent standards for health information privacy and security.

“USING THE METHODOLOGY AND TOOLS FROM CISCO, WE WERE ABLE TO DRIVE STRATEGY, ARCHITECTURE, AND INNOVATION ACTIVITIES AND, AT THE SAME TIME, ENSURE THAT OUR PARTNERS AND STAKEHOLDERS RECEIVED THE BEST SERVICE DELIVERY.”

Carolyn Byerly, CIO, Stanford Hospital and Clinics

Hospital officials knew out-tasking all or part of the medical center's IT operations might be the most effective way to quickly ramp up SHC's technology staff and capabilities, secure needed capital, drive process change throughout the organization, and achieve regulatory compliance. The leadership team also knew that outsourcing partnerships were fraught with significant business risks, so were uneasy about turning over complete IT responsibility to a vendor.

Frances Dare, director with the IBSG healthcare practice, leads IBSG's partnership with SHC. She says hospital officials emerged from an IBSG executive briefing with the understanding that out-tasking needed to be approached very carefully, since IT would be a critical enabler of SHC's competitive success. “Most organizations that have completely outsourced IT,” she notes, “have seen mixed results. In extreme cases, some companies have had to reverse their outsourcing strategies and bring IT back in house because they gave away too much of their competitive potential. They gave away core functions that drive flexibility and the alignment between operations and technology for business success.”

It was a mistake SHC leaders wanted to avoid, so they turned to IBSG to help ensure that out-tasking became a long-term investment strategy, not just an exercise in cost-cutting. “We know from Cisco's own experience with strategic out-tasking of business processes within manufacturing, customer service, and IT that the right out-tasking strategy and the right vendor relationship can accelerate business results,” notes Karthik Krishnamurthy, IBSG director and head of Enterprise Out-Tasking Solutions.

SOLUTION

Working hand-in-hand with Byerly and her leadership team, IBSG led an extensive evaluation of SHC's IT processes. Through a series of workshops, the joint team identified processes that were central to operational accountability and long-term business strategy. What emerged was an out-tasking blueprint that keeps strategy, planning, and innovation within SHC—a plan that drove a customized scope and governance model.

The defined model out-tasks the “arms and legs” of the IT function while keeping many of the intellectual aspects of services creation and management inside the hospital. Using an IBSG out-tasking methodology, SHC and IBSG determined specific activities and skills that should remain in house, and defined a viable **governance** and management structure.

Roz Pitchford, director of SHC's new Governance and Administration Office, says the hospital decided to keep the IT functions that were essential for long-term success and clinical innovation. Architecture and design remained with the office of the CIO, for instance, as did responsibility for emerging technologies. A team of about 20 IT specialists oversees those critical areas, as well as strategy and planning.

“The series of meetings and workshops Cisco conducted was a learning process for us,” Pitchford says. “It gave us confidence that we used a consistent approach in understanding what Stanford Hospital needed.”

Staying Accountable

“I can count on one hand the number of CIOs who have outsourced and at the same time kept the staff, skills, and accountability we kept,” adds Byerly. “The common model is to either out-source everything and have the CIO manage a contract, or outsource only one “tower.” Using the methodology and the tools from IBSG, we were able to think through the governance structure and decide how we would continue to have oversight and approval of key outcomes.

“It allowed me to think through the roles in the new office of the CIO and determine how we would drive strategy, architecture, and innovation activities, and at the same time ensure that our partners and stakeholders received the best service delivery.”

“THE IBSG APPROACH ALLOWED US TO DEVELOP A FRAMEWORK FOR WHAT IS IMPORTANT TO STANFORD HOSPITAL—WHAT IS STRATEGIC.”

Roz Pitchford, Director, Governance and Administration Office, Stanford Hospital and Clinics

BUSINESS VALUE

Based on the IBSG-influenced governance model, SHC constructed a process-specific out-tasking contract built around clearly-defined vendor roles and responsibilities, as well as checks and balances that remain with the hospital. “The detailed IBSG analysis was used to write the contract scope and the approach is embedded in the contract,” Byerly says. The IT services vendor SHC ultimately selected, “is used to coming in and having a single point of contact,” she adds. “This is a new model. They see that with us they need to build relationships across our leadership team.

“As time-consuming as it was to go through all the different IT processes in such detail, it was key,” Byerly says. “That effort determined our out-tasking scope and the future role of the Office of the CIO. It helped us understand how the contract and the OCIO should fit together.”

The in-depth analysis also helped secure executive and Board support for the proposed process-oriented out-tasking strategy.

The contract went to bid in early 2004. SHC selected a services vendor in August and a year-long out-tasking transition began in earnest in September. Results so far have been positive. “Qualitatively, I see higher standards of work and stronger methodology and tools,” Byerly says. “That means higher productivity from the department and more output.” In addition, out-tasking resulted in a fast upgrading of skills and network knowledge, which translates into faster throughput. “It also mitigates risk for us,” the CIO adds.

Keeping Innovation In House

SHC remains in control of IT processes and resources critical to technology innovation. With assistance from IBSG, it also is designing a comprehensive Business Value Model that includes measures for **productivity**, cycle-time reduction, client satisfaction, and project completion on time and within budget. In recent months IBSG has also helped the OCIO build its innovation capability, strengthening areas associated with culture, process, and competencies. “We’re working with Carolyn and her team to grow from their current capabilities to strengthen processes and grow a culture that will help the OCIO be an innovative engine for the entire health system,” says Dare.

“The IBSG process helped us get out of the box and really stretch our thinking about our future,” Pitchford says.

MORE INFORMATION

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