



Harvard Business Review

REPRINT H03D96
PUBLISHED ON HBR.ORG
DECEMBER 27, 2016

ARTICLE **LEADERSHIP**

Why The Best Hospitals Are Managed by Doctors

by James K. Stoller, Amanda Goodall and Agnes Baker

LEADERSHIP

Why The Best Hospitals Are Managed by Doctors

by James K. Stoller, Amanda Goodall and Agnes Baker

DECEMBER 27, 2016



Healthcare has become extraordinarily complex — the balance of quality against cost, and of technology against humanity, are placing ever-increasing demands on clinicians. These challenges require extraordinary leaders. Doctors were once viewed as ill-prepared for leadership roles because their selection and training led them to become “heroic lone healers.” But this is changing. The emphasis on patient-centered care and efficiency in the delivery of clinical outcomes means that physicians are now being prepared for leadership.

The Best Hospitals

The Mayo Clinic is America's best hospital, according to the 2016 US News and World Report (USNWR) [ranking](#). Cleveland Clinic comes in second. The CEOs of both — John Noseworthy and Delos “Toby” Cosgrove — are highly skilled physicians. In fact, both institutions have been physician-led since their inception around a century ago. Might there be a general message here?

A study published in [2011](#) examined CEOs in the top-100 best hospitals in USNWR in three key medical specialties: cancer, digestive disorders, and cardiovascular care. A simple question was asked: are hospitals ranked more highly when they are led by medically trained doctors or non-MD professional managers? The analysis showed that hospital quality scores are approximately 25% higher in physician-run hospitals than in manager-run hospitals.

The findings of course do not prove that doctors make better leaders, though the results are surely consistent with that claim. Other studies also find this correlation. [Research](#) by Nick Bloom, Raffaella Sadun, and John Van Reenen revealed how important good management practices are to hospital performance. But they also found that it is the proportion of managers with a clinical degree that had the largest positive effect; in other words, the separation of clinical and managerial knowledge inside hospitals was associated with worse management.

Support for the idea that physician-leaders are advantaged in healthcare is consistent with observations from multiple other sectors. Domain experts – “expert leaders” (like physicians in hospitals) — have been linked with better organizational performance in settings as diverse as universities, where scholar-leaders enhance the research output of their organizations, to basketball teams, where former All Star players turned coaches are disproportionately linked to NBA success, and in Formula One racing where former drivers excel as team leaders.

Why doctors make good managers...

What are the attributes of physician-leaders that might account for this association with enhanced organizational performance? As leaders, do physicians create a more sympathetic and productive work environment for other clinicians, because they are “one of them”? Does being a physician inform leadership through a shared understanding about the motivations and incentives of other clinicians? When asked this question, Dr. Toby Cosgrove, CEO of Cleveland Clinic, responded without hesitation, “credibility ... peer-to-peer credibility.” In other words, when an outstanding physician heads a major hospital, it signals that they have “walked the walk,” and thus have earned credibility and insights into the needs of their fellow physicians. But we would argue that credibility may also be signaled to important external stakeholders — future employees, patients, the pharmaceutical industry, donors, and so on.

The Mayo website notes that it is physician-led because, “This helps ensure a continued focus on our primary value, the needs of the patient come first.” Having spent their careers looking through a patient-focused lens, physicians moving into executive positions might be expected to bring a patient-focused strategy.

In a recent [study](#) that matched random samples of U.S. and UK employees with employers, we found that having a boss who is an expert in the core business is associated with high levels of employee job satisfaction and low intentions of quitting. Similarly, physician-leaders may know how to raise the job satisfaction of other clinicians, thereby contributing to enhanced organizational performance.

Our [research](#) suggests that if a manager understands, through their own experience, what is needed to complete a job to the highest standard, then they may be more likely to create the right work environment, set appropriate goals and accurately evaluate others' contributions. Having an expert leader at the helm, such as an exemplary physician, may also send a signal to external stakeholders, such as new hires or patients, about organizational priorities. These factors are revealed in new work soon to be released.

Finally, we might expect a highly talented physician to know what “good” looks like when hiring other physicians. Cosgrove suggests that physician-leaders are also more likely to “tolerate crazy ideas” (innovative ideas like the first coronary artery bypass, performed by René Favaloro at the Cleveland Clinic in the late ‘60s). Cosgrove believes that the Cleveland Clinic unlocks talent by giving safe space to people with extraordinary ideas and importantly, that leadership tolerates appropriate failure, which is a natural part of scientific endeavor and progress.

...and how training can make them even better ones.

Physician-leaders appear to be the most effective leaders precisely because they are physicians. Yet, great leadership also takes social skills. Medical care is one of the few sectors where lack of teamwork might actually cost lives, yet physicians are not trained to be team players. Nor is there evidence that it is the team players who select into medicine. Indeed, the favored nature of physician leadership of hospitals is even more remarkable for the leadership and followership handicaps that physicians must overcome in becoming doctors. In view of this handicap, Dr. Victor Dzau, President of the National Academy of Medicine, considers those successful physician-leaders (who largely lack formal leadership training) as “accidental leaders.”

Physicians have traditionally been trained in “command and control” environments as “heroic lone healers” who are collaboratively challenged. In the context of this paradox, that medical training on the whole conspires against great leadership, there is a clear need to train physicians more systematically.

One model has been pioneered by Paul Taheri, CEO of Yale Medicine, who has been engaging doctors in management training for some time. He has focused on a two-tier approach: the first introduces physicians to the fundamental principles of business in the delivery of healthcare, and personal leadership development, through a day a month programme spread over a year. Taheri sends around 40 medical faculty annually. For those physicians who stand out as emergent leaders, the next step is an MBA. Taheri insists that in the executive programs physicians are always trained with other physicians, but by design they are taken away from their hospital environment into the safe learning environment of the business school.

The Cleveland Clinic has also been training physicians to lead for many years. For example, a cohort-based annual course, “Leading in Health Care,” began in the early 1990s and has invited nominated, high-potential physicians (and more recently nurses and administrators) to engage in 10 days of offsite training in leadership competencies which fall outside the domain of traditional medical training. Core to the curriculum is emotional intelligence (with 360-degree feedback and executive coaching), teambuilding, conflict resolution, and situational leadership. The course culminates in a team-based innovation project presented to hospital leadership. 61% of the proposed innovation projects have had a positive institutional impact. Moreover, in ten years of follow-up after the initial course, 43% of the physician participants have been promoted to leadership positions at Cleveland Clinic.

In-house programs have been developed in many healthcare institutions (including Virginia Mason, Hartford Healthcare, the University of Kentucky, etc.), by medical societies like the American Association of Physician Leadership, and by business schools (including Wharton, Harvard Business School, the Weatherhead School of Management, and soon at Cass Business School in London). There seems to be a widening consensus that training physicians for leadership matters. Such training promises to enhance the pipeline of physician-leaders so that the benefits of physician leadership can be more broadly realized.

James K. Stoller (M.D., M.S.) is a pulmonary/critical care physician at the Cleveland Clinic, where he also serves as chairman of the Education Institute.

Amanda Goodall, Ph.D., is a Senior Lecturer in Management at Cass Business School.

Agnes Baker is an assistant professor at the University of Zurich.
