

## Blue Cross and Blue Shield of North Carolina: “Sailing Through the Perfect Storm”

## At a Glance

**Business Challenge**

- External challenges: Increased healthcare costs, changing legislation, and growing economic pressures
- Internal challenges: New leadership team, new business strategy, changing business conditions

**Solution**

- Implemented the Denison Organizational Culture Survey
- Created a shared sense of vision
- Clarified and communicated the CEO’s legacy
- Involved the entire organization in the change process
- Used simple visuals that internalized the culture change model

**Results**

- Improved culture scores
- Improved business performance metrics
- Positive work environment

**Business Challenge****Facing a perfect storm...**

In early 2010, BCBSNC was facing both external and internal challenges, which Fara Palumbo, Senior Vice President and Chief Human Resources Officer, described as “a perfect storm.” Externally, they were dealing with increased healthcare costs, legislation, and economic pressures. Internally, they had recently transitioned to a new leadership team: J. Bradley Wilson, the new CEO and former COO of the company, was appointed in February 2010. Six (out of nine) senior leadership team members had been in their current leadership positions for less than 3 years.

To address the growing challenges, the new management team redefined the vision and developed new strategies for the organization. The new vision was “To be a leader in improving the health care system in North Carolina,” and to focus on the actions needed to improve the overall system and to better serve their customers.

***“We’re in a period of considerable change at Blue Cross and Blue Shield of North Carolina – as much change as we’ve ever attempted at one time.”***

– Fara Palumbo,  
SVP and Chief HR Officer

**BlueCross BlueShield of North Carolina**

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**Blue Cross and Blue Shield of North Carolina (BCBSNC)**

is the largest health insurer in North Carolina serving more than 3.7 million customers. As a not-for-profit, fully taxed company with headquarters in Chapel Hill and 4,600 employees, their network of health care providers includes 92% of the medical doctors and 99% of hospitals in the state. They hold the highest level of NCQA Accreditation and the CEO Cancer Gold Standard Accreditation. They’ve also won numerous awards and recognition, including: Top 60 Companies for Executive Women (2010), Top 100 Best Companies for Working Mothers, AARP Best Company for Workers over 50, and Diversity Inc.’s Top 25 Noteworthy Companies (2009).

## Changing culture, changing business

To continue to be successful and address the increasing challenges, the company needed to make some deeper changes by concentrating on their culture: BCBSNC decided to focus on their employees to ensure that their goals were aligned with the company's strategies, mission and vision. To achieve this goal, BCBSNC needed a better understanding of its employees' core beliefs, assumptions, and perceptions of the corporate culture.

BCBSNC had considered the human components of business in the past. In fact, BCBSNC had been measuring employee opinions for several years. However, there was only a limited link to business goals. While business results were strong, the company's leadership saw a pressing need to connect the company's culture and direction with the rapidly changing needs of the market.

The Denison Model of organizational effectiveness provided BCBSNC with the proper framework to connect employee engagement with their culture to support the company's direction.

## Solution

### Identifying Cultural Strengths and Weaknesses

In May 2010, 3,592 BCBSNC employees completed the Denison Organizational Culture Survey. Figure 1 shows the survey results.

The 2010 survey results helped clarify several key strengths, including:

1. Quick reaction to issues
2. Business with a conscience
3. Clear definition of short-term goals and objectives, and therefore a good understanding of their targets and a way to measure the results

However, the survey also highlighted some significant stumbling blocks. "The Denison results were a wake-up call. The results showed that "people didn't understand where we were heading," commented Palumbo.

Indeed, survey data revealed key disconnections between leaders and employees, and among top leaders that were hindering performance:

- There was misalignment between leaders and employees regarding the company's strategies, mission, customers and marketplace
- There was also misalignment between the Senior Leadership Team and upper management at the VP level about the organizational culture

The survey also uncovered a number of additional issues:

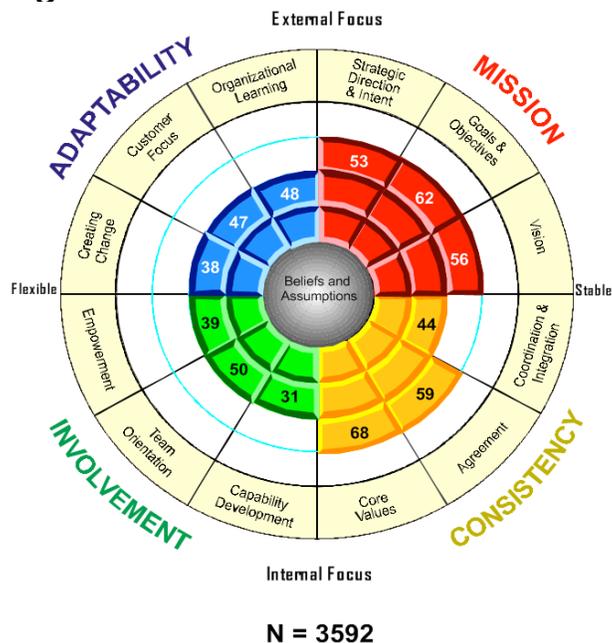
1. Issues with delegation of authority, empowerment, and the decision-making process
2. Tendency to be more reactive and conservative in relation to the industry and its customers
3. Working in silos, which led to limited coordination and integration, less than optimal efficiency, workflow snags and relatively high costs
4. Short-term focus versus long term vision threatened the company's future business potential

## Steps Toward Success

### BCBSNC took the following steps to create success:

1. Planned the culture change
2. Improved communication by sharing the survey results at all levels of the organization
3. Created a shared sense of vision by clarifying and communicating the CEO's desired legacy
4. Created an ongoing cross-functional team to address key culture, engagement and communication shortfalls
5. Involved the entire organization

Figure 1: BCBSNC DOCS Results 2010



First, BCBSNC's internal HR/OD function worked with the Senior Leadership Team to lead the planned change effort. In feeding back the survey results, the group decided to focus on the weaknesses identified--while leveraging the strengths--when sharing the data with the top 100 leaders. They also developed the action planning, communication, and accountability processes that would convert survey results into action. For instance, the senior leadership team believed they needed "to own" the culture change and to that end, supported informal leaders who served as role models by taking the initiative for various change efforts.

Second, they shared the survey results with BCBSNC employees at all levels of the organization via their intranet. Doing so, they increased the transparency and openness of their communication. This also prompted conversations between employees and leaders, and made leaders more accountable. As culture became a topic of conversation, people started thinking more about high-level (e.g., organizational) goals, vision, and mission.

The tipping point of BCBSNC's change process was when the new CEO Brad Wilson shared his desired legacy with the Senior Leadership Team--an acknowledgement that helped consolidate a shared vision at BCBSNC. Wilson remarked, "[my] legacy is...that I truly changed the culture of this organization." To ensure employee input, Wilson engaged internal Employee Network participants to gather important feedback about what brought them to the company and what they hoped to see in the future. The information they gathered became a critical factor in the cultural attributes that would define the organization. By leveraging Wilson's personal mission as CEO, BCBSNC connected employees directly to the organization's direction and created a sense of shared vision.

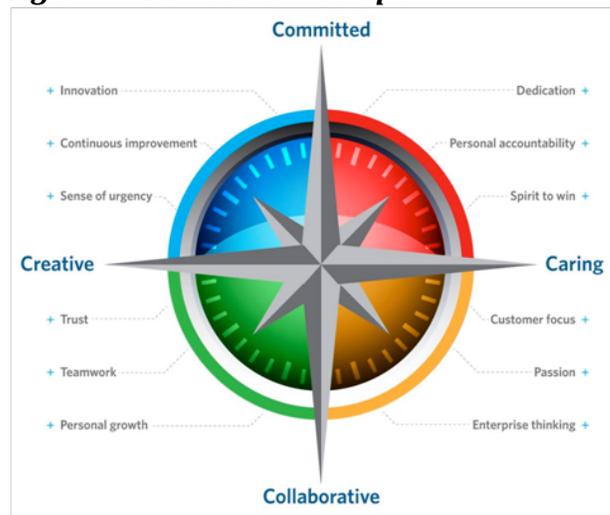
The company created a cross-functional Strategy and Culture Communications Team responsible for communicating the survey results and focus areas, as well as coordinating and encouraging corporatewide culture change efforts. The team, affectionately known as the "culture club" grew to include representatives from HR, Corporate Communications, Strategic Development and Sales & Marketing. With empowerment and encouragement from senior management, the team developed the overarching concept for BCBSNC's culture and direction: *The Way Forward*.

**Figure 2: The Way Forward**



*The Way Forward* (Figure 2) visually reflects the culture change efforts and highlights the importance of involvement. It is a way for the Senior Leadership Team and the CEO to clarify their cultural beliefs, to identify the changes that needed to take place, to state the expected actions, and to show their accountability. For example, senior leaders to directors held Leadership Team Culture Meetings where divisional leadership teams developed Culture Action Plans. Leaders also started to acknowledge accomplishments and supported small wins to create a more positive environment. *The Way Forward* image is designed to quickly and intuitively transmit the link between the individual employee to the company's overall direction.

**Figure 3: The Culture Compass**



Finally, BCBSNC also created the Culture Compass (Figure 3), a tool to help guide, align and involve the entire organization in the culture transformation process. The Culture Compass includes four cultural attributes – Committed, Creative, Collaborative, and Caring – that direct BCBSNC's culture and strategy.

To further clarify and communicate his vision consistently, a video of the CEO describing his vision for the company was developed and distributed to the entire organization. Wilson wanted to ensure clarity of the message at every level of the company.

Teams then participated in the culture change process in different ways. Every department developed its own culture change plans/strategies, while keeping the high level message consistent. The Marketing department, for instance, started an all staff stand-up meeting every morning. Healthcare began selecting a Story of the Month within the group.

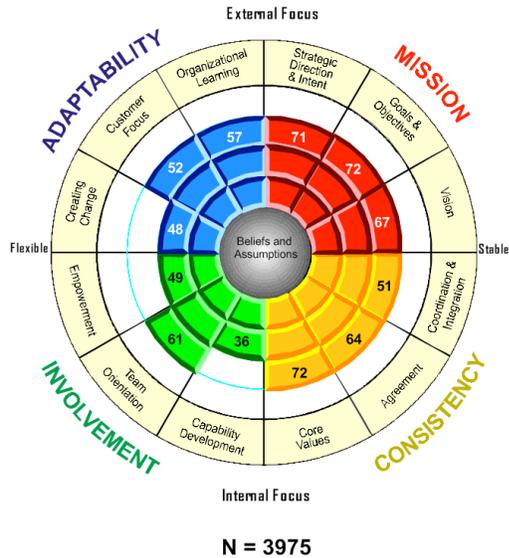
Individual employees were involved in the culture transformation in various ways – including making time for the culture change, taking initiatives, sharing stories about the 4C's (of the Culture Compass), finding creative ways of doing their job, and using more positive language. The 4C's have become a common, accepted and expected part of employee's communications and conversations.

# Results

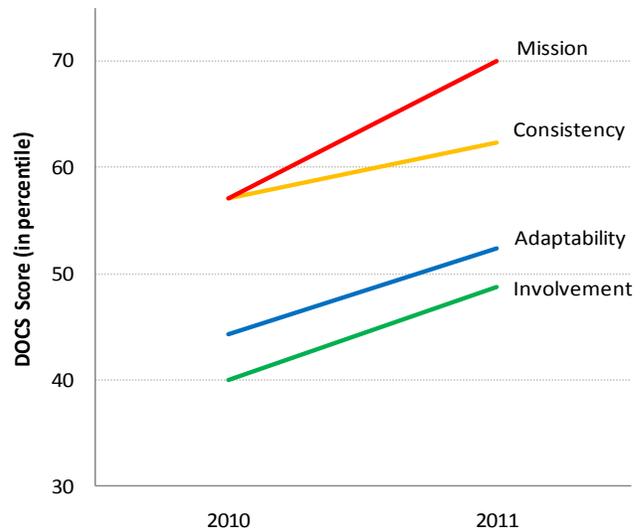
## Measuring success:

In June 2011, BCBSNC administered another organization-wide culture survey (Figure 4) and the culture scores increased for all traits and indexes (Figure 5).

**Figure 4: BCBSNC DOCS Results 2011**



**Figure 5: BCBSNC DOCS Score Change, 2010 to 2011**



Despite the weak economy and high healthcare costs, BCBSNC continued to hold its own in the marketplace and to remain a pillar of stability and reliability. They were recognized by former President Bill Clinton as one of the best organizations in the health care industry and nationally as a leader in addressing health care system transformation.

In addition to business improvements, BCBSNC also made other positive organizational changes by strengthening the role of HR/OD, making it a true partner in shaping the company culture and direction. The Senior Leadership Team members became more engaged with each other. The team members worked more effectively and efficiently as a team when solving organizational problems. Moreover, the gap between the Senior Leadership Team and the VP team has been reduced considerably.

Finally, the attitude towards problems has changed. Issues are framed and addressed in more positive and constructive ways. For instance, when a leader faces performance problems, he is asked "how can we help [the leader] improve and get better?" rather than solely focusing on the negative.

## Moving forward

Based on the 2011 survey results, BCBSNC identified the following as areas to focus on: strategic direction and intent, decision making and empowerment, capability development, and creating change. They feel it is equally important to focus on their strengths while also managing weaknesses to obtain even better results.

BCBSNC acknowledges that culture change is a slow process and requires continuous efforts. Since the last survey, BCBSNC has already made significant cultural transformation. They have consistently engaged all the levels of leadership with teams, established rewards and recognition programs to support *The Way Forward*, and incorporated culture into leadership development. They are working diligently on closing the gaps among individual contributors, based on their success in decreasing the gap between the Senior Leadership Team and the VP team in 2010. With their continued commitment to improving and managing culture, BCBSNC will sustain their high performance organizational culture and remain a leader in the market.

### Contact Information

Denison Consulting, LLC  
 121 West Washington, Suite 201  
 Ann Arbor, Michigan 48104  
 Phone: (734) 302-4002  
 Fax: (734) 302-4023  
 Email: research@denisonconsulting.com

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