Keeping the turbulence out of healthcare

By Len Schlesinger | February 7, 2017

In 1951, Kurt Lewin, a psychologist at the University of Michigan and a pioneer in the study of organizations, wrote that "there is nothing as practical as a good theory." Having spent my career in both industry and academia, I have seen Lewin's point firsthand: Understanding what drives high performance is a prerequisite for achieving or sustaining it.

Over the past year, I have partnered with the athenahealth research team to develop a data-based managerial framework that I believe can assist today's healthcare organizations to achieve significantly improved operational performance. As we examined the top financial performers in athenahealth's database of more than 85,000 providers, I noticed that the best practices of these leading organizations represented powerful examples of a management theory I and my Harvard Business School colleagues first articulated 25 years ago: the service-profit chain.

The service-profit chain is considered to be among the most widely researched and cited empirical frameworks in the field of service management. And with a few updates and modifications, it can provide a helpful roadmap for healthcare organizations.

The service-profit chain at work

The classic version of the service-profit chain works as follows: profitability and growth (the ultimate goals of companies) are driven primarily by customer loyalty. In many service industries, a 5 percent increase in customer loyalty can translate into a 25 percent increase in profits. For customers, loyalty is a byproduct of satisfaction, which is created by providing external service value.

Value creation at the customer interface cannot exist without employee productivity, which is an outcome of employee loyalty and satisfaction. Employees are satisfied when they are equipped with the skills and power to serve customers — what I call internal service quality. All that is to say: Employee satisfaction, customer engagement and profit are linked in a virtuous reinforcing cycle. Excellence breeds excellence.

Over the past three decades I have had the opportunity to study and report on dozens of "breakthrough" service firms: Companies like Disney in entertainment; Nordstrom in retailing; Four Seasons Hotels; Progressive in personal insurance lines; Quicken in software; and Amazon in internet-enabled commerce. These organizations literally wrote the rules for customer interactions in their respective industries while delivering extraordinary results on employee, investor and customer measures. They outpaced virtually all of their competitors through their ability to support an intentionally-designed operating model with outstanding execution.

For example, when I studied Southwest Airlines in the 1990s, I encountered an astonishing story of employee productivity. Southwest regularly achieved 40 percent more pilot and aircraft utilization than its competitors — and in general, its employees were highly engaged and satisfied. The main driver of this extraordinary employee engagement was employees' knowledge that the airline served its passengers better than anyone else.

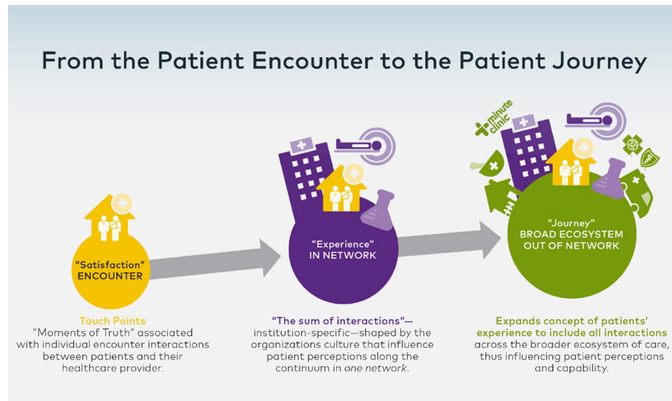
Customer perceptions and loyalty were extremely high, even though the airline did not assign seats, offer meals or integrate its reservation system with other airlines. Southwest sustained a profitability streak of 21 consecutive years at a time when other major airlines struggled.

When I investigated how the airline achieved this "service trifecta" of satisfied employees, customers and investors, I found that management spent little time setting profit goals or focusing on market share. Instead, front-line workers and customers were at the center of management concern. As then-CEO Herbert Kelleher said, "Anyone who looks at things solely in terms of factors that can be easily quantified is missing the heart of the business, which is people."

Applying the model to healthcare

Working with athenahealth's research team, I have tried to capture this sentiment by updating the service-profit chain framework to make it better suited for modern healthcare managers.

First, I updated it to account for the essential role played by information technology, such as cloud computing, and the resulting "network effect" it enables among physicians, staff, and patients. I also adapted it to account for unique aspects of today's healthcare landscape, such as distortions to market dynamics caused by government's changing involvement as a regulator, payer and provider.



Let's examine how the classic service-profit chain applies to healthcare. Physician and staff engagement, satisfaction, and productivity all improve when staff capability improves in the healthcare delivery system. Thoughtful, intentional design of the operational activities empowers physicians and staff with skills and direction to serve patients at the top of their license or training.

For example, we discovered that athenahealth's top performers have several traits in common. They provide their staff with ample performance-improvement resources, such as scripting for front-desk staff, dedicated financial counselors where needed to handle challenging patient accounts, and digital check-in systems to relieve front desks' workload. They endorse "radical" data transparency that promotes openness and sharing among physicians.

They don't simply reward productivity, but favor targeted incentives that in general support broader improvement efforts and reward teams and individuals that have the biggest impact on improvements. They take deliberate actions to prevent burnout — indeed, one large, faith-based multi-hospital system recently appointed a VP of Medical Mission who is in charge of physician wellness.

The main point from this link in the chain is that leading organizations never let operational activities emerge through happenstance or accident — all are thoughtfully designed and constructed (or redesigned) in a coherent fashion.

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In the next link in the chain, top-performing providers engage patients across their entire patient journey, encouraging and empowering them to be part of their own care teams. This fuels customer loyalty, adherence to protocol, and productivity. It also represents a fundamental rethinking of the patient's role, essentially, giving patients a "job" to do.

This can sound radical for healthcare, but it's not so unlike what managers in other industries are encouraged to do — treating customers like employees by, for instance, training them to become familiar with their brand and treating them as part of the brand "family."

And in healthcare, where patients have direct influence over their own health, empowering and engaging patients' work is essential. As someone charged with the responsibility of acting as a patient caregiver for the last years of my mother's life, I can attest to the power of engaging patients in the process of their personal healthcare delivery.

Patients perform a great deal of "unpaid work" in service of their own care. They chase referrals, manage medications, do physical therapy, drive to the pharmacy, and are often the main point of information flow between their doctors. To build patient capability, healthcare leaders must intentionally design the job of the patient, just as they design the jobs of physicians and staff.

athenahealth's top performers commit to understanding and improving upon the patient experience, moving well beyond superficial patient-satisfaction surveys. Instead, they are focused on the total patient journey, opening urgent care clinics to respond to patient need, reaching patients through multi-channel connections such as texting, virtual visits, and remote monitoring, and creating effective processes for closing care gaps so patients don't fall out of the system when they need to be seen.

In the final link in the value chain, higher productivity across physicians, staff and patients drives greater measurable value — both clinical and financial results — which can be invested back into the organization to start the cycle anew.

A modern healthcare organization can't fully achieve this work without technology, the subterranean "plumbing" that helps link up and coordinate care. Data aggregated from electronic health records and insurance companies can be used to paint a complete picture of the patient.

In addition, smart scheduling systems and patient portals help patients access care on demand. Open data exchange transfers health information so patients don't have to play courier with their own x-rays and lab results and medical notes. Patients still need to embrace behavior change and take accountability for their own care. But technology can make their job easier, more effective, and more satisfying.

The framework we're developing links all of healthcare's main actors together in a reinforcing cycle of engagement. Patient engagement goes up when patients feel loyalty to their providers, understand the role they must play in their own care and are given the technology and other tools required to do it. Engaged physicians and staff provide a better patient experience. Satisfied patients inspire physicians and staff in a reinforcing cycle.

And it is only when patients, physicians, and staff are all working together — fully engaged and enabled to do what each does best — that we will achieve the clinical and financial outcomes we are all aiming for.

Len Schlesinger is Baker Foundation Professor at Harvard Business School.