

A person is walking on a paved path that curves through a hilly, dry landscape under a bright sky. The person is carrying a large, colorful pie chart on their back. The pie chart is divided into several segments of different colors: red, yellow, green, purple, blue, and orange.

Operations: Turning healthcare vision into reality

By Len Schlesinger | December 19, 2016

Key Stat

5

The number of dimensions customers use to gauge quality

At a time of uncertainty in healthcare and civic life, leadership is deeply in demand. That's why athenaInsight is running a three-part series on the "Leader's triangle." How vision, culture, and operations work in tandem to define an organization and provide a framework for change.

Here, Harvard Business School professor Len Schlesinger writes about aligning operations with vision – and why, for healthcare organizations, that will mean a laser focus on the patient experience.

Key Takeaways

- 1 Loyalty is a byproduct of positive engagement with overall service experience, which includes employees and patients.
- 2 Expert performance at the beginning and end of patient interactions can pay off in terms of better outcomes and lower costs.
- 3 Healthcare leaders must intentionally design the job of the patient.

Why is it that the hard work of setting strategy so often fails to bring the expected rewards? Why does a strategy's calculated value seem to dissipate the moment it leaves the executive suite and trickles down through an organization?

There is no doubt that strategy is important. But what ultimately drives performance is not strategy but the alignment of strategy and *operations* – the match between an organization's operating model and its business model.



excellent on a stand-alone basis (a la the Winchester Mystery House) but also “fit” with each other.

Patients as customers

Various frameworks exist to help organizations improve and harmonize their operations, and many healthcare organizations are successfully applying them today. To wit: 8 of the last 18 winners of the Malcolm Baldrige National Quality Award, which recognizes organizations for successful implementation of the Baldrige quality framework, have been healthcare providers. Lean Six Sigma and other quality programs have also proven particularly popular among healthcare providers in recent years.

These approaches to performance improvement, while valuable, were all developed in a manufacturing context in which “quality” referred primarily to the absence of product defects. I have a slightly different perspective having studied leading service organizations for the past 35 years.

In these contexts, effective operations are those that create value for customers *and* employees and investors alike. Great service leaders focus internally on producing win-win-win results, or what I call the service trifecta. Although my research was conducted primarily in industries other than healthcare, I believe the findings are relevant to healthcare leaders, who increasingly need to think of their patients as “customers” (and physicians as “employees”)!

How do they do this?

1. They understand that satisfied customers and employees are linked.

Loyal customers are also a company’s most profitable (and, in a healthcare context, the most likely to stay within a branded health system). Loyalty is a byproduct of positive engagement with the overall service experience, which is created by a design focused on providing external

athenahealth works with healthcare leaders to implement a leadership triangle – vision, operations, and culture. The three elements need to be tightly linked. Only when *vision* and *operations* align can your words match your efforts with positive results. Once these basics are established, *culture* of continuous improvement is what leads to *operational* excellence.

Over the past century, healthcare organizations’ operations have by and large evolved with very little intentional design.

Many organizations’ processes were constructed like the rooms in the Winchester Mystery House, a 147-room house that was built using the finest designers and materials, but without the benefit of an actual architect. That lack of a unifying vision resulted in a home with skylights in the floors and stairs that lead to the ceiling. It has become a very popular tourist attraction, but it was never able to deliver on its main purpose: housing human beings.

Luckily, the healthcare industry is in the middle of a transition that makes *intentional* redesign easier. The shift to population health assures a future in which healthcare delivery will be vastly different. But today’s common strategic response to this change – increasing market power through consolidation – threatens to backfire through diseconomies of scale if leaders do not pay attention to the underlying shifts in basic operations required to succeed in a new business environment.

Leaders must intentionally link their organizational designs and operating processes to the *overall* strategy, to ensure that unit-level operations are not just

service value. Value cannot exist without employee productivity, which is the result of employee loyalty and satisfaction.

Employees are engaged when they are equipped with the skills and power to serve customers/patients. In other words, employee and customer engagement and profit are linked in a virtuous reinforcing cycle. To strengthen this cycle, leaders at the best service organizations maintain a corporate culture centered on service to customers (again, in a healthcare context, read “patients”) and fellow employees.

2. They understand how the customer perceives service quality.

The dimensions that customers use to perceive quality are, in order of importance:

- **reliability:** did the service provider do what was promised?
- **responsiveness:** was the service provided in a timely manner?
- **assurance:** did the service provider elicit a feeling of confidence in the mind of the customer during the service delivery process?
- **empathy:** was the service provider able to take the customer’s point of view?
- **tangibles:** was evidence left that the service was indeed performed—for example, a mint on the pillow after turn-down service?

At times an added dimension of service quality, “procedural justice,” can be important. It’s what happens when, for example, an organization does not enforce implicit rules of behavior when someone cuts in to the front of a line.

3. They emphasize the “bookends” of customer experience.

In recent years, automobile dealers have come to realize that their service departments are important sources of profit, and have put their best personnel in these departments. Why? Automobile-service facilities are like hospitals: Diagnosis of the problem

is a critical step in providing good service. In all service operations, expert performance of first steps can pay off in terms of better outcomes and lower costs. What’s more, when it comes to customer satisfaction and loyalty, first impressions also count.

On the other end of the process, late impressions count as well. Research conducted by Nobel Laureate Daniel Kahneman found that research subjects preferred to repeat a medical procedure that left a better memory even though it involved more pain. The memory was heavily influenced by the procedure’s best and worst points and, crucially, how the experience ended, something he called “the peak-end rule.”

That’s why auto dealers wash your automobile at the end of your last service visit, and why pediatricians give out lollipops after vaccinations.

4. They put customers to work.

Customers have shown a willingness to work when they perceive it to be in their self-interest. For example, self-service has been a way of life in supermarkets and other retailing for nearly a century. Healthcare is no different. 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 to pick up their medication, 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. This requires the careful and conscious construction of the patient experience to promote engagement, as well as the underlying support of networked technology, which has the potential to remove work at every point in the patient journey. Patients can also be your de facto quality-control managers — their complaints are a source of identifying areas of improvement.

5. When errors happen, they focus on continuous improvement and service

recovery.

In general, service industries have more leeway than product industries when it comes to quality. A product defect leaves a worse perception than a service failure. Healthcare is obviously an exception. “Do it right the first time,” must be the mantra in a such a high-stakes setting.

Unfortunately, the healthcare industry has not traditionally excelled when it comes to quality. Recent estimates suggest that medical errors cause 44,000 to 98,000 deaths a year (infections, many of which are preventable, claim another 100,000).

To be fair, healthcare leaders face enormous obstacles to improving quality. Those who have managed both product- and service-orientated firms understand that quality control in service firms present the greater challenge. The challenge of quality control varies directly with the amount of individual judgement exercised by the server in delivering the service and with the difficulty of directly supervising the service transaction.

Most healthcare leaders have instituted some form of kaizen, or continuous improvement, into their quality-control management. The key for managers is to find a middle ground between a blame-free

culture – which attributes all errors to system failure and says no individual is held accountable – and a punitive culture, where individuals are blamed for all mistakes. Stamping out needless variability, ridding the system of redundancy, and implementing quality-management processes are all keys to successful quality management.

Many executives think of quality in terms of providing a flawless service experience to customers. But my research shows that quality is just as important for employees as it is for customers. The likelihood of success of an innovative strategy depends on whether value is created for both of these constituencies.

This concept has always been relevant to healthcare organizations, but it is essential today given the impending transition most organizations will need to make as they bear the financial risk of managing the health of populations. Moving forward, successful healthcare will require a partnership between patients and caregivers. And the way an organization defines “operations” will increasingly have to move beyond its four walls and into the community and homes, where the most profound influences on human health are found.

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