

## OPERATIONAL EFFECTIVENESS FOR HEALTHCARE



VOLUME 19, AUGUST 2012

This monthly newsletter is designed specifically to help healthcare executives and business owners raise the bar within their organizations by providing insights on how to improve performance and **maximize operational effectiveness**.

### CASE STUDY

#### The Situation

A car manufacturer (Toyota) was looking for ways to boost sales during a recession and do a better job of engaging customers in the product development process.

#### The Intervention

Toyota met with thousands of customers worldwide and asked them what they liked about their cars; what they didn't like; what different stages of life they were in; and what their expectations were from a car company.

Toyota mined through all of the data and realized needs and experiences evolve based on changes in their life stages (single, married, parents, etc.). So it adopted a lifecycle approach to making cars-soliciting customer input during the design and development process so they could fulfill specific requirements of every stage of life (speed, cost, status, cargo space, etc.).

#### The Results

The company became one of the largest auto manufacturers in the world based on the volume of cars sold. More importantly, it developed a loyal following of customers who, when their stage of life changed, simply traded in one model for another.

#### ABOUT ANDREW MILLER

Andrew Miller is a well-known consultant, writer and speaker who has successfully helped world-class organizations dramatically accelerate results and improve the speed, performance and efficiency of their organizations. His healthcare clients include renowned hospitals, shared service organizations, group purchasing organizations, private clinics and government institutions.

As a thought leader in the healthcare industry, Andrew provides tremendous value to his clients by using his experience from both the private and public sectors to help maximize their strategic and operational effectiveness.

#### CONTINUE THE CONVERSATION



## OPERATIONAL EFFECTIVENESS FOR HEALTHCARE

### INSIGHTS

*What insights can be drawn from the case study above and how might they be applied elsewhere?*

#### **Customers don't know everything, but they can be helpful**

In this case, Toyota took advantage of insights its customers provided about their changing needs and preferences through different stages in life. This helped the company design customized cars for each of those stages (sports car, affordable sedan, mini-van, and so on).

Similarly, in the healthcare sector, doctors and hospitals need to seek the input of their patients when developing treatment plans or even constructing new buildings. The experience of the patient, who is the customer in the healthcare world, must be taken into account.

#### **Understand the importance of customer retention**

While it's important to make the first sale to a new customer, retaining that customer makes even more business sense. Loyal customers not only buy more from you, but they also tell their friends, family and colleagues about you. A good retention strategy turns your customers into brand ambassadors.

#### **Don't forget quality**

It's imperative to ensure the quality of your products and services. While customer engagement warrants success, quality is an essential component in building brand loyalty.

### VIEWPOINT

*Why a black belt should only be worn with a karategi*

#### **Customers don't know everything, but they can be helpful**

A karategi is the Japanese name for a karate training uniform and a black belt in karate denotes a high level of competence. A karate black belt takes years to complete and when you have achieved the level of black belt, it tells others not to mess with you because not only do you have discipline and skill, you also have the ability to defend yourself and even hurt others.

One of the connotations of operational excellence is that if you use Six Sigma, you will achieve it. Sorry to burst your bubble, but that is not the case. That is like saying, "I have a black belt in karate, therefore I am a martial arts expert." This is not to say that there is anything wrong with Six Sigma. The problem is that we often incorrectly define operational excellence.

Six Sigma is focused on the removal of the root cause of errors, with an error being defined as something that doesn't meet customer expectations, and minimizing variability in processes. Essentially Six Sigma helps you fix root problems and maximize standardization. But that alone does not equal operational excellence.

## OPERATIONAL EFFECTIVENESS FOR HEALTHCARE

### VIEWPOINT (Cont...)

When identifying companies that we consider operationally superior, companies like Dell, Amazon, Apple, Disney and Wal-mart come to mind. Are these companies operationally excellent because they fix root problems and maximize standardization? Is it because of their quality management system?

No, they are operationally excellent because they go well beyond that. They engage customers, they constantly innovate, they continuously improve how they operate and they move quickly. They may use Six Sigma approaches, but being a black belt or applying Six Sigma does not equal operational excellence.

Six Sigma principles never would have helped Apple develop the iPod or Dell develop an approach for customers to order their own customized computers through the Internet. Six Sigma never would have helped Disney develop a customer-first culture where employees are expected to drop everything they're doing to replace a child's ice cream that fell to the ground. Innovative ideas don't start with a problem statement that needed resolution. They come from a different way of thinking. A different mindset that focuses on people and customer loyalty and affecting change.

A six Sigma black belt might deonte the highest-level of problem-solving expertise, but it doesn't guarantee your ability to achieve operational excellence.

The visual below depicts the seven components of operational excellence for an organization.



## OPERATIONAL EFFECTIVENESS FOR HEALTHCARE

### VIEWPOINT (Cont...)

How many of these components does Six Sigma impact? Not very many. So how can we equate Six Sigma with operational excellence? We can't. It would be like entering a martial arts competition with four different disciplines you must compete in and only knowing karate. You will be great in one area but deficient in the others.

The problem-solving tenet of Six Sigma has its place and can be effective when trying to improve performance in a specific area of an organization. But it is limited in its ability to look at holistic strategies and drive operational excellence. It is not an overall solution, just a component of it. For true operational excellence, we need a more comprehensive approach that includes the seven components mentioned above and is focused on people and change.

For true operational excellence, companies need to engage the voices of customers and business partners to drive innovation, execution and continuous performance improvement. Have you ensured that this culture is present in your organization?

### ON ANDREW MILLER

#### Recent News

I have developed an assessment to help organizations achieve operational excellence. For the next 30 days only, I am offering to discuss the results of this assessment for FREE with any organization that is interested. [Contact me](#) if you would like a copy of this assessment.

#### Upcoming Events

On Friday September 21, I will be hosting a free 30-minute teleconference on Why Acquiring New Customers is Only Half the Battle. To register for the teleconference, or for more details, please [click here](#).

#### Recent Videos

[Check out my new video series on Operational Excellence](#). These are short videos filled with tips to help your business run more effectively.