

OPERATIONAL EFFECTIVENESS FOR HEALTHCARE



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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 and profitability.**

CASE STUDY

The Situation

A growing company was having issues determining their growth priorities because they wanted to move into multiple new markets at once. The company was receiving a great deal of interest from a number of prospective customers. They needed to decide whether or not to pursue these new areas of opportunity, and if so, how to go about it most effectively and profitably.

The Intervention

Andrew worked with the company's senior management team to identify the profile of their most profitable customers. This helped them assess which new customers would be best to bring on. Andrew also helped the company determine whether there was real growth opportunity in any of the new markets they were considering to ensure that the company found the most lucrative opportunities.

The Results

After careful analysis, the company decided not to bring on some of the new customers that had approached them because the opportunity was too small and servicing those customers would have taken away from more profitable growth possibilities. They decided to move into only one new market where there was huge growth potential and which was complimentary to the existing markets they served. By narrowing their focus in this way, they were able to become the leader in the marketplace after only one year.

ABOUT ANDREW MILLER

Andrew Miller is a renowned and accomplished 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, global healthcare suppliers, 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



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INSIGHTS

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

Understand what a good customer looks like

It's important to develop a profile of your ideal customer. Not every new customer is a good one. You need to understand how to best serve the customers while keeping things as profitable as possible for your organization. Look at your current customer base and develop a profile of what your best customer relationships look like and then emulate those relationships when pursuing new customers.

Don't assume because one customer wants you, they all do

It's easy to assume that just because two companies in a new market have called about your services or products, everyone in that marketplace will be interested in what you have to offer. That may be the case sometimes, but more often than not it isn't. Before entering a new market, you need to ensure there is real opportunity for growth, that you will be able to service this new market effectively and that it will not take away from your existing customer relationships.

Develop a process for assessing opportunities

You need to develop some decision-making criteria for how you will assess new opportunities, both at an individual customer level and at a market level. Here are some questions to think about: Will it help increase profit? Can we service this new customer/market without negatively impacting our current customer base? What is the long-term growth potential of this new customer/market? What are the synergies with our existing business? What new competition will we be facing?

Be prepared to walk away

Many organizations take on new customers that become difficult to manage because they don't want to turn away any business, even when their intuition tells them to. Think about the lost opportunity of servicing a bad customer instead of pursuing a good one. That's why it's so important to know what a good customer looks like.

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VIEWPOINT

The REAL Cost of Saving Money

One of the common misconceptions about procurement is that it always saves your organization money. In fact, this is not always the case. The REAL cost of saving money is lost time and effort. Every purchase is different. You need to distinguish between commodity purchases like office supplies, and strategic purchases, which are the goods and services that are essential to the success of your business.

If you don't make this distinction, you will make poor purchasing decisions and end up spending even more time fixing those bad decisions. In my experience, it takes three times longer to fix a problem once it occurs than it would have taken to plan on how to avoid the problem in the first place. That is a lot of wasted effort that could have been avoided.

Too often, organizations treat every purchase the same way and force their business partners to respond to long, legal-sounding documents when the focus should be on finding the best solutions for the best value. Risk aversion and a focus on bottom-line savings are forcing companies to spend more money and effort than is required. And there are still too many bad decisions being made that need to be reversed.

In order to drive better return on investment through your procurement operations and make better buying decisions, you need to focus on outcomes for those strategic purchases. Determine which purchases are the most strategic and essential for your organization and come up with an appropriate approach for buying those goods and services.

It is important to focus on the outcomes of the purchasing process. That means answering the question "What do we want to achieve through buying this good or service?" Typically, organizations start with the answer. "We need a workshop," "We need a new technology system," or "We need a strategic plan." Take a step back and ask yourself why you think you need these things.

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VIEWPOINT (CONT.)

I recently questioned some clients about these issues.

- I asked one client, "Why do you think you need a workshop?" Their response was that they wanted their sales representatives to learn how to sell to a changing customer more effectively. But a workshop would not have been the most effective way to do that and would not have yielded the results they needed. What they needed was an entirely new approach to selling. They needed to change the message they were delivering, how they delivered it and to whom it was delivered.
- I asked another client "Why do you need a new technology system?" Their response was that they wanted a more standardized way of operating. But a new system would only have exacerbated their problems because they just would have been making bad decisions faster. They needed to fix their operations and business processes before automating anything.
- A third client asked for a strategic plan, "Because we need to know where we are going to be in the next five years." After some discussion, we agreed that what they really needed was an execution plan. Their strategy was fine. What they didn't know were the first steps required to execute that strategy.

The Ontario government recently made a decision to select one supplier for a popular drug that many patients required. Unfortunately, the company that was selected to supply that drug had a fire in their manufacturing plant where the drug was produced, thus leaving the entire province with a severe shortage. This problem could have been avoided.

The government focused on the lowest price, not the best solution. They pushed all suppliers to cut prices dramatically, pushing many competitors out of the market, instead of focusing on the importance of supply itself and choosing two suppliers to mitigate any potential supply issues. By not planning effectively, and not recognizing the risk of a supply shortage, the Ontario government was forced to spend hundreds of thousands of dollars to resolve the issue, and many patients did not receive their medication on time.

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VIEWPOINT (CONT.)

When you attempt to buy what you think is the right solution, you can often find yourself heading down the wrong path. Focus on the outcomes you want to achieve, the problems you want to solve or the differences you would like to see, and then work with your business partners to develop the best solution. If you ask for a green widget, people will quote you a price for a green widget. But what if there is a blue widget that lasts longer, is better quality, has more capabilities and only costs a few cents more?

You'll never know because you didn't give your business partners a chance to show you their capabilities. Which ultimately costs you more than you would save. That is the REAL cost of saving money.

ON ANDREW MILLER

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