

## OPERATIONAL EFFECTIVENESS FOR HEALTHCARE



VOLUME 2, MARCH 2011

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

#### *Achieving Cost Savings Through Shared Services*

##### **The Situation**

A group of healthcare facilities needed assistance in setting up a shared services model to centralize many of their supply chain and back office functions and processes. The new model needed to be built from the ground up, including the development of an organizational structure and a technology infrastructure.

##### **The Intervention**

Andrew spearheaded the creation of the shared services model, including leading the selection process for supply chain software, developing the future organizational structure and building the process foundation for shared service operations. Andrew also facilitated the development of specific service levels that would be provided to customers.

##### **The Results**

After the first two years in operation, the organization delivered almost \$1 million in savings to customers, as well as productivity and efficiency gains through streamlined operations and value-added expertise.

#### **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?*

There are a few things that must be considered to ensure success when entering into any kind of shared service or group buying relationship:

#### **The organization must be set up properly**

Shared service models should be focused on service delivery. The staff needs to concentrate on high-quality customer service. Performance measures and accountabilities must be aligned with the organization's objective of delivering great service and tremendous value to customers.

#### **The organization must add value**

There are many shared service organizations that merely perform transactions for their customers. This is not enough for the business to survive. The organization must provide additional value, whether it is cost savings, expertise, education or access to influential people. The organization must be able to do more than what customers would be able to do on their own.

#### **Customers must take an active role**

Just because an organization is setting up or entering into an agreement with a shared services centre does not mean that organization is not responsible for what goes on there. Implementing operating processes, educating staff and providing important information are just some of the ways that the customer organizations should remain actively involved.

### VIEWPOINT

#### ***New Procurement Guidelines Tighten Rules Even Further***

Just when you were starting to get comfortable with the procurement policies guiding the broader public sector (BPS), the rules are about to get even tighter. In Ontario, a new BPS Procurement Directive has been issued to replace the BPS Supply Chain Guideline. The new directive comes into effect for hospitals, school boards, colleges and universities on April 1, 2011 and for other government-funded agencies (such as shared service centres) on January 1, 2012. Although the directive is only for Ontario, other provinces already have or will soon have, similar directives. The focus of these new rules is to ensure the fair, transparent and equitable treatment of all suppliers. But more importantly, they crack down on the use of consultants to ensure competitive bidding and that expense rules are being properly followed.

While it is important to keep on top of changes in your provincial procurement directives here are some things you can do to ensure that your processes will always be based on best practices, regardless of the directions the new directives may go: ***(continued on the next page)***

## OPERATIONAL EFFECTIVENESS FOR HEALTHCARE

### VIEWPOINT (CONT.)

#### Focus on outcomes

If you think inviting competition to the process will benefit you it probably will. So focus on the outcomes you want and ensure the right stakeholders are involved in the crafting of the required scope.

#### Successful relationships are built on trust

How do you know you are getting good advice? Because you trust the source of the advice. Build trust into your selection process through various alternate procurement methods such as Best and Final Offer (BAFO) and negotiating with the winning supplier.

#### Develop preferred supplier programs

In the public sector, these are sometimes called Vendor of Record (VOR) programs. Ask a number of companies to submit their expertise in a given category and pick the best two or three for a set period of time (say, three years). Only use the expertise and advice of the chosen suppliers in that category. This accelerates the buying process and builds stronger relationships (which leads to more trust).

#### Provide a level playing field

Ensure that you are open to any supplier getting your business. There will always be constraints and growing pains, but you also never know the additional value you can receive by introducing a competitive mindset into your buying process.

Please feel free to contact me if you have any questions or would like help interpreting or implementing this new directive.

### ON ANDREW MILLER

#### Upcoming Speaking Events and Conferences

The Conference Board of Canada is hosting the Healthcare Forum on Process Improvement and Operational Excellence on April 4-5, 2011 in Toronto. I have worked out a deal for my colleagues and peers. When you register, use the promo code PRM6 and you will save \$300 off the conference fee. [Click here to register.](#)

On March 29, Andrew will be speaking about how to create an effective contract management system at the Federated Press conference on Managing and Measuring Contract Performance. [Click here for more information.](#)