COMP5138 Services Science Management
Group Project Assignment (25% of course grade)

(October, 2011)

Discuss the following case in terms of the services science management concepts. The assignment should be done in a group of 4-6 members, within 4000 words and submit in Word compatible format on or before 27 November, 2011 on the WebCT.

In preparing the group report, your group should perform the following tasks:

1) discuss along the line of concepts on 4Is, 3Ps, Service Encounter, Service Quality, and finally specific provider gaps that you think are critical to the application of the technology;

2) Focus on ONE of the specific provider gap identified in the above, propose a hypothetical proposal on redesign of the service base on an IT improvement with a set of operational tools such as blueprints, scheduling, monitoring and controlling data in terms of a six sigma project;

3) Briefly identify the issues that should be cover under the ITIL framework in the above IT improvement project.

Quality that Customers Didn't Want

Jack Zadow, the consultant, was persuasive. Wrapping up the hour-long presentation, he still seemed as energized as he had in the first five minutes. "Your biggest competitor, HealthCare One, has already begun using a computerized reception system in 14 of its 22 facilities," he said, pointing to the overhead projection illuminating the darkened conference room. The image was a regional map with red stars on every Health-Care One facility and yellow circles around the ones using the new system. "When their members come in the door, they go right to a computer and slide their identification card through. Then the computer leads them through a set of questions about their current medical condition, the reason for the visit, and so on. Everything is done electronically: The computer pulls the member's record, processes the new information, and then routes the member to the appropriate staff person for consultation."

He slipped the next image over the map. It showed Quality Care's own facilities in dull brown. "HealthCare One will have all its facilities up and running on the new system by June. The number two player, MediCenters, is planning to install a similar system by January 1997. I think you should consider it seriously—it's really the wave of the future."

The last overhead. A model of a "new and improved" Quality Care reception area. No more crowded waiting room. Patients talking with nurses in the privacy of small, partitioned cubicles. Other patients checking in, paying bills, even having their blood pressure taken at attractive computer stations.

"I think this one speaks for itself." Jack let the image sink in for a moment. "But I'll comment anyway. With this system, you take a giant step forward in the quality of your service. Your staff will be able to devote more energy to making sure that each patient

1

receives prompt, unhurried, personal attention." He switched off the projector and stepped back to flip on the lights.

Blinking, Allan Moulter accepted the report summary Jack handed him. He had been the CEO at Quality Care for nine years—how many meetings did that mean he had attended? He looked at Pat Penstone, the company's CIO. She seemed enraptured. He rubbed his forehead. "Thanks, that was informative," he said. "You've given us a good overview of an intriguing trend in service delivery in the industry—at a regional level and at a national level. But can you tell us a little more about the specifics of installing a system like that? How is HealthCare One handling the transition? How has it measured the improvements in service quality? How much has the company invested in training? Computer consultants? Troubleshooters? HealthCare One is a staff-model HMO like us, so I know we can look at them for comparison, but I have to say that I'm a little concerned. You seem to be telling us that our image as a quality health care provider will suffer if we don't make this move, but we're talking about an important change in a lot of daily routines. We have just under 3,000 employees and 200,000 members. Think of the procedural changes. The timing changes. And with more automation, wouldn't we want to think about cutting the administrative staff by what, by two at each facility? Four? Six?"

"You could cut several positions from each location," Jack said. "But HealthCare One isn't cutting staff—this is strictly a quality improvement, and it's paying for itself in increased customer retention over the long term. What's more, the transition isn't difficult. In the pilot location, they're already testing the next generation of the system: artificial intelligence diagnostic programs. They're incorporating scales and the blood pressure machines you saw in the last overhead. That saves a step or two for the nurse practitioner, so it simplifies service operations. They're also going to upgrade so that the computer will be able to produce records that can be standardized for insurance companies. Within a few months, the nurses and physicians will be experimenting with a prototype for their own notes on patients, which will streamline follow-up care as well."

"If they're not cutting staff, and they're investing in new generations of the system, where's the real advantage? There is a cost-control element to consider as well, isn't there?" Allan looked around the room, then back at Jack. "The system itself is a big investment—it would run the company more than $350,000 when you include development, installation, training, consulting, and so forth. What's more, the network would have to operate across all of our locations. And if we wanted to do it right, we would probably tackle a whole host of ancillary projects at the same time, things like rethinking the design of our reception areas and our workstations.

"I'm not sure it's worth it. Our customer retention rates are good. They've been steady for the past two years. And our customers are satisfied with the service—on a scale of one to five, 86 percent of our customers are either a four—that's satisfied—or a five—that's completely satisfied. We survey them constantly.

"Frankly, I'm not convinced that investing in a new system will improve the quality of our care. As I said, you're talking about a major shift in how our people get their work done—all the way up the line. That's disruptive. Would the gains be worth it?"

"Ultimately," Jack said patiently, "if your staff is less stressed and your care is more personalized, your quality improves. And—this is almost more important, although it's going to sound strange—the *image* of your quality also improves. Remember, the top two HMOs in this region are installing this system. Quality Care is the number three player—you can't afford to look as though you're behind the times."

Pat could not contain herself.

"I'd hate to see the industry moving toward this technology while we sit on our hands doing nothing," she said, straight to Allan. "I mean, okay, it's just the reception function, but what if a patient assumes that because we're not high tech with our sign-in procedures, we're also not up to speed on our medical procedures? The reception area, taken alone, isn't a big deal. But as a part of our whole offering, it's critical. It's the first thing our customers see. It tells them what we are and how we work."

She nodded at Jack and continued. "Not to mention that we'll have to install a system like this at some point anyway, as soon as the government or the insurance companies decide that it's the way to go. Once a method is standardized, we don't want to be playing catch-up."

"Right. Well." Allan looked at his watch, an impassive expression on his face. "I can see this warrants some further discussion, but we'll have to leave it for the time being." He stood up, ending the meeting. "Jack, thanks," he said again. "We'll go over the reports and I'll see you later this week."

Back in his office, Allan swallowed two aspirins with the one gulp of coffee he had left in his mug. Then he reached for the box of crackers he kept in his top drawer. He knew he should get some lunch, but he wanted to think about this issue some more without distraction. The afternoon was booked solid; then he wanted to catch at least part of his son's ice hockey game at 5:30, and he had to be back in town to participate in a panel discussion on health care for the elderly at 8:00. Munching, he thought about Quality Care's position in the market and the kinds of things that had made the company successful to date.

Quality Care had never been the region's largest or most profitable HMO. But it was doing well. This past year, its total revenues were $450 million, with profits of $8.1 million after expenses. And it did have a good track record when it came to customer retention. Businesses kept the contract because their employees were satisfied with Quality Care, and Allan liked to think that he had played an important role in creating that loyalty.

Allan had begun his career with a large manufacturer of electronics equipment, where talking with customers had been his passion. He had brought that passion to Quality Care. During his tenure, the HMO had instituted regular customer satisfaction surveys. Patients were asked how they felt about the service they received: Were they waiting too long to see a doctor? Were they satisfied with the location and upkeep of the facilities? Did they want more information on health clubs or wellness programs? One survey had revealed the need for increased communication with pregnant members. Now expectant mothers received regular newsletters geared to provide timely advice and support during their pregnancies. The company had also provided a dedicated toll-free number so that pregnant customers would have easy access to advice and information. Allan was proud of the program.

And the surveys weren't the only way the company solicited information from its customers. Each facility also had a "feedback box" in the waiting area—paper and pens were provided, and patients were encouraged to offer anonymous comments on any aspect of their experience with the company. In addition, Quality Care frequently and systematically surveyed other constituents: its corporate members, affiliated hospitals and health clubs, even its own employees.

His peers often complained about how hard it was to increase customer satisfaction these days. Allan knew why it was so hard—keeping all the constituents happy was an insane balancing act. Still, Allan figured it was the open communication and the feedback that kept the company effective and competitive.

That's why he was more than a little concerned about Jack's presentation. Quality Care's own marketing staff hadn't turned up any dissatisfaction with the current reception procedures. And yet Allan was drawn to the possibilities presented by the new system. He picked up his phone and punched in Ginger Rooney's extension. Ginger was the vice president of marketing for Quality Care. She was part of the team that was scoping out locations for expansion and possible new alliances. She had flown in from Pittsburgh that morning—too late to attend Jack's presentation.

"Do you have a minute right now to hear about that meeting?" Allan asked. She was in his office moments later, folder in hand.

"Cracker?" he offered, holding out the box. She declined. He took another one and plunged into the topic.

"I'm not entirely convinced we need this system," Allan said. "But I'll tell you, I was playing devil's advocate in there, and I was having a hard time. I don't want us to fall behind the curve."

"We're ahead of the curve, if anything," said Ginger, holding a familiar survey report out for his inspection. "Why you and Pat are so gung ho about this computerized reception area, I'll never know. If you'll remember, we were approached by a sales rep from the Technomedic Software Company 18 months ago. We looked into a similar system then and dismissed the idea. We took the concept to our members in a special survey and they said they'd hate it."

"But then why would HealthCare One go forward with it? They're the one to beat. I know they must have done their homework on this—maybe better than we did. Don't take this the wrong way, but they've got a more sophisticated organization. I'm sure they've weighed the risks against the benefits. Our study might have been inaccurate. Is it possible that the results are out of date already?"

Ginger didn't take offense. "I doubt it," she said mildly. "Think about why the customers said they wouldn't like it. Human contact versus machine. Health care is a personal field—one-on-one attention is what makes a satisfied customer. They just didn't like the idea of a computer, at least for this part of their interaction with the HMO. They come into one of our facilities for some health-related exam. Often it's just routine, but sometimes they're a little nervous and they appreciate all the human contact they can get. It's reassuring. The idea of having the first 'person' they meet when they come in the door turn out to be a machine was quite disconcerting to many of the people we surveyed. Especially the seniors." She fell silent, but spoke again as she saw Allan framing a response. "We spent a lot of time and money on that special study—why are you so willing to disregard it?"

"Look at ATMs," Allan said. "Older people got used to them."

"I'm not sure that's true. And even so, does that mean that we'll try to encourage all our members to use the computer but that we'll need human receptionists anyway for older members? Isn't that making the operation more complicated, not less? That doesn't sound like cost savings or quality improvement to me."

"We've invested a good deal in Zadow's research as well," Allan said. "HealthCare One hasn't reduced staff, but we could. And what happens when all the other organizations have signed on and the government or the insurance companies start requiring standardized reports? Pat brought that up in the meeting. It's a valid concern."

"There's more than one way to create a standard report." Ginger began to look frustrated. "I'll bet half the time, the patients enter information incorrectly anyway. Someone would have to double-check the files on a daily basis."

She returned to his earlier point. "If HealthCare One hasn't cut staff, how can you be sure that we would be able to? And keep in mind whom we should really be talking

about—the customers. Their perception is what's important. Remember, our *employees* were the only ones who really liked the idea. The administrative staff thought that a computerized reception area would make their jobs easier. And the nurse practitioners have so many routine procedures to do that they're just racing patients by on a conveyor belt. They thought the system would give them time for the human touch."

"Now you sound like you're arguing for the system, Ginger. You can't disregard employee input. Our employee turnover rate is average for this industry, but it has increased over the last two years. That's a reason to reconsider the system in light of Jack's report," Allan said. "It's important to keep our employees happy—we want to keep good people. In fact, as I recall, it took a lot of tap dancing to explain to them why we weren't proceeding with the computer system last time."

"But the point still remains that the members didn't like the idea," Ginger said. "They thought that it was just another sign of big corporate America depersonalizing something that in this case happens to be one of the most personal services there is. You mentioned us retaining our 'leading edge' image. But a computer sends an impersonal image as well. I just don't think that a computer at the front desk will make or break us. You know that my department's reports consistently show favorable customer satisfaction results. They already think we're doing a good job by them. If I can be blunt, I think that you've been romanced by a consultant's very savvy presentation. And I think that we've spent so much money on the consultant that you feel we wouldn't get our money's worth if we didn't follow his recommendations. I seem to be the only one thinking about what's right for the company."

"Ginger, what happens in a year or so when everyone but us has this system installed?" Allan threw up his hands. "Don't you find it strange that we're trying to choose between installing a system that we think might enhance our quality as a provider and not installing a system because we want to please our members?"

Ginger spotted Pat in line at the cafeteria on the first floor of the building that housed Quality Care's administrative offices. She caught up with her just as Pat was paying for lunch. "Not to ruin your digestion, but I have a problem I'd like to talk about with you for a few minutes. Do you mind?"

"Not at all," Pat smiled. Ginger knew the smile was strained. The two had just never really gotten along. For people whose departments were usually in agreement about new initiatives and plans for the company, Pat and Ginger had often found themselves holding opposing views, or at least misunderstanding each other's motives.

"I'll get right to the point, and I won't take much of your time. I know that you support the idea of a computerized reception area, but I'd like to know more about why. You know that the customers are not in favor of it."

"No, I don't really know that." Pat looked uncomfortable for a moment and then seemed to gain resolve. "I may as well say this. I know that Allan has a personal interest in how the company communicates with customers, but I have some serious doubts about the way all of those customer satisfaction surveys are carried out. You don't personally oversee the surveys, do you? That's Mike Farrow's bailiwick, isn't it?"

"Yes, it is," Ginger said. "But we use the same sorts of surveys as most companies do. Frankly, I do agree with you about some of that. I don't put much stake in some of the information we get from the complaint boxes, for example. Those comments reflect the views of only one person. 'Change the night you're open late from Monday to Thursday.' 'Change the color scheme in the examining rooms.' Those comments aren't significant. But we asked a significant number of our members straight out, in a special study, how they would feel about a computerized system. They said they wouldn't like it."

"I just don't have a sense that any of that information is to be trusted. People need to be told what they want—and people will recognize quality care when they see it. That's why I think we need this system."

"I'm thinking about the bottom line," Ginger said. She wished she had waited until later in the afternoon to approach Pat. In fact, she wished she had written her a memo and sent it over by e-mail. "Why go through all the trauma if we already know how the customers will receive the change?"

Pat hadn't yet touched her lunch. She picked up a packet of salad dressing and pulled it open. "You say you're thinking of the bottom line, but which one?" she asked. "Today's or tomorrow's?"

Source: Zeithaml, V.A., Bitner, M.J., and Gremler, D.D., Services Marketing: Integrating Customer Focus across the Firm, 5th edition, McGraw-Hill, 2008.