



Contrarian Edge

Moving to McDonaldland

The nation's financial meltdown has made it pretty clear that the people who thought they were the smartest guys in the room were actually the dumbest on the planet. With the destruction of more than \$4 trillion of the nation's wealth, it doesn't take a sage to predict there won't be a lot of loose change for national health insurance no matter what politicians promise. The irony is that there seems to be some political will to make change, just when we're flat broke.

So here hospital leaders are again, back in the real world, where real work has to be done by real people. What can be done to reduce costs and increase efficiency—the only option left since the hope of additional revenue and reimbursement has all but disappeared?

Growing up as a teen in a small Midwestern town, the place my friends and I would go on Saturday night was Parkwood Grill. With convertible tops down, customs, semi-customs, sports cars, and hot rods would circle slowly around the drive-in's parking lot. It was a "Happy Days" environment, good times, and a restaurateur's dream.

We were curious when the first McDonald's opened in our town, across the street. The menu then was 15-cent burgers, 10-cent fries, and malts. It didn't take long to figure out that babysitting and paper-route dollars got us more at McDonald's, so our driving pattern changed. We made our first stop at McDonald's to take on a load of teen-fuel, then went across the street to join the parade at Parkwood. It turned into Parkwood's nightmare.

In his book, *Competitive Strategy* (Free Press, 1998), Harvard's Michael Porter explained Parkwood's problem—they weren't correctly positioned for their market. It's the same problem many hospitals experience.

Porter found there are only three market positions an organization can take and expect to win: low-cost, best-in-class, or unique. That translates to McDonald's, Cincinnati's famed La Maisonette (a five-star award winner for 35 years), or your local Mongolian Wok. Each of these positions tends to win: low-cost because nearly all can afford it, best-in-class for the small group who can afford to pay, and unique niche for the 16 Mongolian barbecue fans in town.

So what?

It should be, but hasn't been, clear that a hospital must pick (and stick with) one of these strategies. For most hospitals, this means the low-cost strategy, which means good and acceptable quality; it does not imply anything substandard.

Indeed, substandard is not allowed. It's all about standards, high ones, and meeting them all the time via standardization. Best people, best doctors, best tools, best training. Standardized systems mean you do it right, and you do it right all the time.

I wouldn't insult my readers or the few friends I have left by saying you should run your hospital like a hamburger stand, but maybe you ought to. Like Walmart or Southwest Air, other practitioners of the low-cost, operational excellence model, these

organizations became category killers in their respective industries by rigorously attacking both cost and quality targets.

The weapons they used were lean management, continuous improvement, supply chain management, and other efficiency strategies, plus ruthless removal of non-standardized procedures and useless work (estimated at 40% in hospitals).

Reading the national crystal ball on what health reform may hold in store requires a bigger battery than I have, but there are lots of support signals going out for evidence-based medicine (standardized protocols) and simplified reimbursement mechanisms. With the onset of standardized medicine, standardized approaches in management are a must-do.

So, what makes sense if you're running Parkwood Memorial? I'd bet on ramping up work simplification and process improvement, having fewer suppliers for better pricing and control, and requiring physicians to get with IT and gold-standard medicine. Whether recognized or not, this is going to be a great time to create a better interface with what's coming toward us by way of a more rational health system.

It's time to move to McDonaldland. Want fries with that?

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