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and you by *Kamalini Ramdas, Elizabeth Teisberg,  
and Amy L. Tucker***

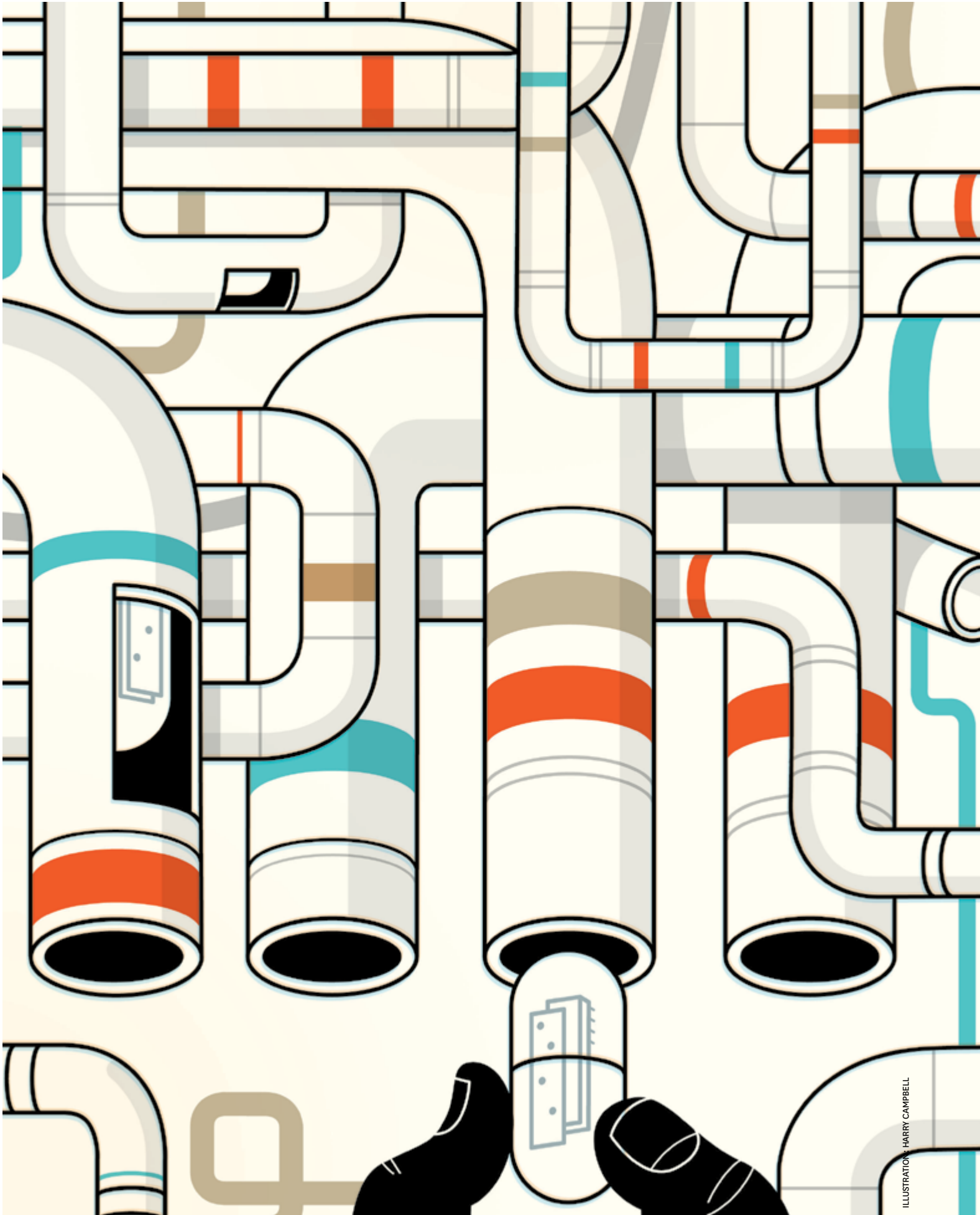


ILLUSTRATION: HARRY CAMPBELL

# 4

## Ways to Reinvent Service Delivery

**How to create more value for your customers and you** *by Kamalini Ramdas, Elizabeth Teisberg, and Amy L. Tucker*

**“IT FELT LIKE AN ELEPHANT WAS SITTING ON MY CHEST,”** the patient explained. The doctor nodded understandingly. But the doctor was not the only one nodding her head. “You can put me down for that one as well,” quipped another patient.

This is Club Red, a shared-medical-appointment concept, introduced at the University of Virginia Health System, which represents a radical innovation in the delivery of preventive cardiac health care. Traditionally, cardiology patients at UVA are allotted a half hour with the doctor. At Club Red, they are given a choice between that one-on-one appointment and a 90-minute shared appointment, in which the cardiologist sees each patient in a group setting with as many as 11 others.

Members of Club Red don't sit in a waiting area; they gather in a meeting room, where they fill out any needed forms and may chat informally while each patient sees the doctor privately for a brief physical exam. In the shared appointment, the doctor then provides individual counsel, goes over prescriptions, orders tests, and discusses progress, challenges, and future treatment plans for each patient. The Club Red consultation, while confidential among participants, is not private. That's a big deal in health care, an industry where personal service and privacy have long been sacrosanct.

The shared appointment clearly improves productivity: In 90 minutes a doctor can see 10 to 12 patients rather than three to five. Patients seem to prefer it as well: Satisfaction is at about 98%. Patients experience shorter waits for appointments and may even drop in to see the doctor in a group setting. They learn by quietly listening to the doctor counsel others and to patients' questions and reactions. As a result, they become more knowledgeable about symptoms, lifestyle changes, medications they may need in the future, and how others deal with challenges. Patients rarely speak to one another in shared medical appointments and will often encounter different patients at each Club Red meeting. They can, however, opt in to more interaction with fellow attendees through recommended classes and exercise groups. Counterintuitively, Club Red members develop a stronger connection with the doctor, largely because they observe his or her expertise and empathy in dealing with many patients. The health benefits are tangible: Obese patients in Club Red achieve higher weight loss than those in traditional one-on-one consults.

Unlike innovations in product manufacturing, those that radically redefine the delivery of a service are relatively rare. Service redefinition requires deep insight into how to meet clients' needs. And because it is not generally driven by disruptive technologies, which often force people to confront basic assumptions, organizations struggle to overcome the mentality of "that's not how we do it" and "our clients don't expect that." But as Club Red and other service providers are finding—as manufacturers did with lean production methods—these innovations can create tremendous value for them and for their customers. The challenge is to give managers a systematic way to question basic assumptions about how a service is defined and delivered and to see the opportunity to achieve dramatically better results.

We spent four years tracking innovations in health care and finance, two sectors that have substantially redefined service delivery. In some cases we observed the transformation or worked with the team implementing it; in others we studied the result and discussed the transformation with its leaders. From our experience, observations, and data, we developed a framework to guide innovation in service delivery. It identifies four dimensions on which organizations can focus: the structure of the provider-client interaction, the service boundary, the allocation of tasks, and the delivery location.

For a quick assessment of innovation opportunities, locate your service in each of the four matrices throughout this article, which correspond to the four dimensions. This effort can provoke a valuable discussion, especially if there is disagreement about which cells your business falls into.



## The Structure of the Interaction

The interaction between providers and clients can be configured in four ways: one provider with one client, one provider with multiple clients, multiple providers with one client, and multiple providers with multiple clients. The most effective structure depends on whether the value for clients increases or decreases when the experience or information from the interaction is shared with others, and whether communication among experts improves the service. Two questions can guide the decision:

### Does creating shared experience or shared information among clients add value for them?

When a provider conveys the same information in many separate interactions, there's a prima facie case for serving multiple customers together to reduce costs. But cost is only part of the picture; the real consideration is value: the outcome achieved for the money spent. The client might benefit from interactions or shared experiences with other clients. On the other hand, a client might have concerns about privacy or individuality, which is why the norm in medicine is to serve one patient at a time. So a critical question is whether a customer's experience becomes less or more valuable if another customer shares it.

This was the insight behind Club Red. Members of the medical team observed that they repeatedly did the same things with patients, yet their success in stemming disease progression was limited. Many patients felt anxious or intimidated during appoint-

**Idea in Brief**

Radically reinventing the delivery of a service requires deep insight into clients' needs and a reconsideration of "how we do things around here." As some service providers are finding, these innovations can create tremendous value for their customers and for them. Organizations can consider innovations in four dimensions:

**The structure of the interaction.** Changes here should be guided by two factors: the degree to which sharing information adds value for customers and the need for coordination among providers.

**The service boundary.** Two questions are relevant in this respect: Do many of your customers use the same complementary services? Do problems

with those services seriously compromise their outcomes?

**The allocation of service tasks.** Changes here depend on the fit between employees' tasks and their expertise and the prevalence of tacit assumptions about who does what.

**The delivery location.** Does the location limit access or outcomes for clients? Have

their communication and information needs changed?

The four dimensions of service delivery cannot be considered in isolation; the more significant and dramatic the innovation, the more likely it is to involve changes along multiple dimensions.

ments. Moreover, most needed more education about the progression of their disease than a doctor could impart economically. Club Red does much to reduce those problems and in the process sets off a virtuous cycle: The information one patient gets—or gives—in a shared appointment can spark questions from others, the answers to which may be relevant for everyone, including the physician. In addition, Club Red patients get a sense of support from the respectful listening of other patients, which makes a potentially intimidating medical experience more inviting, and they can see the doctor more often because they can drop in, at short notice, to a shared appointment. Patients find that those benefits more than outweigh reservations about privacy.

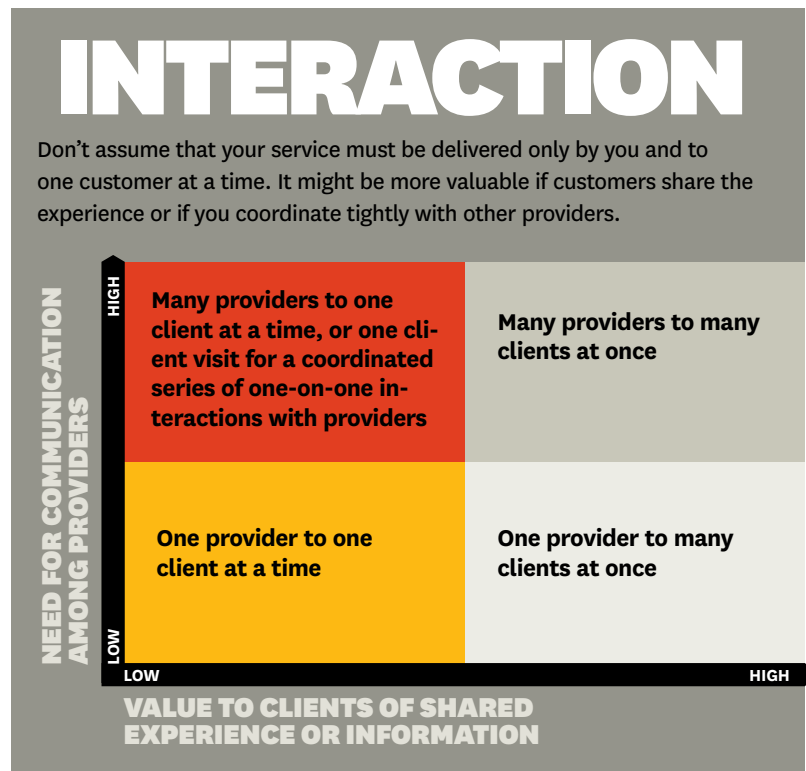
It's not a given, however, that information sharing adds value. The West German Headache Center in Essen, Germany, uses group appointments for treatment but not for diagnosis. This migraine clinic found that although patients get significant amounts of similar information on their first visit, suggesting a potential for shared appointments, the value of the interaction depends critically on the accuracy of the individual diagnosis, which is better in private meetings.

In financial services, asking hard questions about the value of information can also point the way to dramatic changes. At Deutsche Bank, developing a tailored derivative product for a client used to involve sending a team of about five, including a very senior executive, on a visit to the client that would consume three or four working days. That approach reached a limit at which delivering higher quality would require even more of the bank's time and thus higher costs. But the bank recognized that clients benefited not only from hearing global trends and forecasts but also from knowing which new products interested other clients and why.

That insight opened the possibility for both improving the client experience and reducing costs

with a new service-delivery structure. In 2001, Deutsche Bank started holding annual conferences to which it invited carefully selected institutions interested in customized financial solutions built from a broad range of derivative products. The three-day conference included presentations to the entire group on macroeconomic developments, new trade ideas, and innovations in derivative products, as well as one-on-one client meetings.

**Do your clients need tight communication among multiple providers?** A full understanding of a patient's medical situation can require several clinical perspectives. That's why an appointment



## Do You Need to Innovate?

How can you tell if you need to rethink your model for service delivery? Look for the following warning signs:

**There's too much paperwork.**

Like piles of inventory in a production facility, backlogs of paperwork indicate bottlenecks in service delivery and a possible lack of integration both internally and with complementary services.

**People hate IT.** When service boundaries are poorly designed, IT is often the focus of complaints. People assume that better IT would fix things,

but the problem is much deeper. If communications are ineffective, digitizing them doesn't help.

**Informal communication is purely social.** You may have the wrong people co-located. Professional teams accelerate learning in casual conversations that add insight and efficiency to their work. Some teams design meetings such as brown bag lunches to

encourage more of these valuable conversations.

**Employees and customers use dark humor.** Dysfunction in service delivery is the stuff of dark comedy. "Bankers' hours" became a shorthand for inconvenient access until services changed. Patients joke about being asked repeatedly for their birth date and their gender. What's not really funny in your service?

at the West German Headache Center begins with one-on-one interactions between the patient—who stays in the same room—and three specialists. The clinicians then meet immediately to diagnose the patient's problem. Following diagnosis, clusters of patients needing similar treatment undergo a week of outpatient care delivered by a consistent multidisciplinary clinical team.

At Deutsche Bank, a client often needs a structured financial package that draws on the expertise of various product and geographic coverage groups. For instance, a retail bank may want to distribute globally a bond product that enables clients to take advantage of equity market returns while offering a guaranteed repayment of capital—for example, a bond with a coupon payment tied to the performance of an equity index such as the S&P 500.

Developing this type of product requires the involvement of the bank's global and European heads of sales and senior bankers from both the rates and equities teams. The client team needs to include the head of the retail bank and its heads of marketing and risk management. Bringing those executives together is a logistical challenge, but the conference makes it worthwhile. The client is able to draw on the expertise of multiple senior Deutsche Bank executives at once rather than over many weeks or months of bilateral meetings.

of care (such as inpatient, outpatient, or rehab). The result is a fragmented structure that delivers individually customized service in ways that are often inconvenient and burdensome for patients. But this is neither inherently necessary nor efficient. Delivery might instead be designed to achieve excellent outcomes for clusters of clients with shared needs and could be customized only for those whose needs differ. Two questions are relevant in this respect.

**Does a segment of your clients use a very similar set of complementary services?**

If so, there may be a case for integration. Many medical problems come in fairly predictable clusters. Type 2 diabetes, for instance, often coincides with high blood sugar, hypertension, vascular problems, cardiac issues, and kidney disease.

Innovative health care providers such as Club Red and the West German Headache Center are finding major opportunities in tightly integrating services around such patient-defined clusters. Done well, this integration improves communication and efficiency and develops team expertise. Patients benefit from more-convenient and better-coordinated access to care and improved outcomes. For example, rather than work with an exercise physiologist or a psychologist who sees a migraine sufferer only occasionally, patients work with professionals who are focused on migraine care and familiar with the clinic's team. Affiliated neurologists in the community are certified by the clinic, participate in ongoing professional education, use shared protocols, and track results.

**Do problems with complementary services affect customers' outcomes?**

The fact that many of your clients use similar complementary services is not sufficient to indicate a need for redefinition.

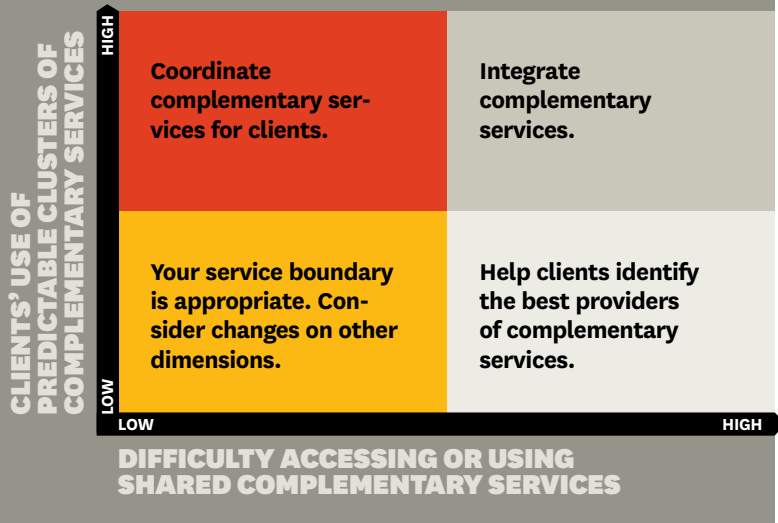


### The Service Boundary

Just as the assumption of one-on-one service delivery should be reexamined, so too should assumptions about the scope of what an organization delivers. In health care, for example, service boundaries have long been defined by providers' clinical specialties (such as endocrinology or cardiology), procedures (such as dialysis or heart surgery), and stages

# BOUNDARY

Reexamine the scope of what you deliver. If many of your customers depend on a set of complementary services, and sometimes have trouble accessing them, you might consider integrating them into your offering.



But if clients have trouble accessing or using those services, you might want to reexamine the service boundary. If the main problem is poor coordination among services, clients can be given coordination tools. For example, to help customers manage their personal finances, some banks now provide budgeting and record-keeping tools, including the ability to track transactions on credit cards from other banks. But if poor coordination means that clients are skipping services, receiving inadequate attention and information, or getting slower service, then integration may improve value for them. Most health care providers that are redefining boundaries are integrating traditionally nonmedical services into the package. Many chronic diseases, such as migraines and diabetes, are treated far more successfully when service includes support for lifestyle changes.

But even the best complementary service is useless if clients are too overwhelmed to access it. For example, patients with Type 2 diabetes often have poor circulation in their feet. As a result, a foot sore can turn into an infection that requires amputation. Appropriately fitted shoes help prevent this, but a trip to a specialty shoe store may be a burden for a patient who is not walking comfortably. That's why

the Steno Diabetes Center in Denmark makes custom orthotic shoe inserts on-site during patients' medical appointments—a service integration that improves outcomes for patients and thus for the physicians responsible for their care.

Cumbersome or poorly executed complementary services can also limit clients' results in financial services. Consider Citigroup's support of global supply chain transactions. Until recently, a typical transaction began when a buyer sent a purchase order to a distant supplier by mail, telex, e-mail, or an internet portal. The supplier manufactured and shipped goods and an invoice to the buyer. The buyer then reconciled the invoice with the purchase order, accepted the invoice, and paid the supplier, usually 90 days after shipping. To obtain cash faster, the supplier could take the invoice to its bank and request a loan, to be repaid on receipt of the buyer's payment. To assess the quality of the loan, the supplier's bank typically asked to see an invoice accepted by both the buyer and the buyer's bank. It was a complicated and challenging process, especially for small suppliers.

Citigroup decided to bring the entire reconciliation and verification process within its service boundary. Building on the business-to-business portals that many of its major clients already had for sharing information with suppliers, Citigroup created an intermediary portal through which a buyer can upload a purchase order and the supplier can receive and process it, and then upload an invoice. Citigroup reconciles the purchase order and invoice, and the supplier can get advance credit directly from Citigroup.

The portal eliminates delays associated with physically moving paper back and forth, and it obviates the need for a verification process by ensuring that the buyer, supplier, and bank are looking at the same information. Obviously, large companies and suppliers could manage the process efficiently themselves with a bank intermediary. But small suppliers are less able to do so. From their perspective, the portal provides quick access to financing, at perhaps better rates than they could obtain elsewhere. This reduces their financial risks and in turn makes them more attractive to large companies, which need stability in the supply chain. That's an incentive, therefore, for large companies working with small suppliers across the globe to use the system, and it's precisely why Walmart uses the portal to manage transactions in China and Taiwan.

# 3

## The Allocation of Service Tasks

Anytime the service boundary changes, and sometimes even when it doesn't, companies can unlock a tremendous amount of value by revisiting who actually delivers the service. Ask the following questions:

### Does employees' expertise match their tasks?

Professionals often complain about the time and mental space they must devote to routine activities. Most physicians we asked spend more than half their time on things that don't require medical expertise. Both efficiency and professional satisfaction improve when time and effort are better aligned with professional identities, expertise, and aspirations.

At the Aravind Eye Hospitals, in India, surgeons perform only 30% of the work on each patient. Each eye surgeon alternates between two operating tables, assisted by paramedics who administer anesthetics, wash the eye, and put in sutures. The surgeons like doing more of what they perceive as their real work. Patients benefit because outcomes are better and infection rates are lower than those at many Western hospitals. Overall, more patients are treated at lower cost.

In health care there's often surprising scope for services that help patients while reducing the re-

quirements of the traditional expert provider. Faced with a shortage of medical practitioners in rural Rwanda, Partners in Health—an organization that provides medical care to the world's poor—had to consider who else could help HIV patients adhere to prescribed treatments. In response, it created the role of "accompagnateur," a friend or relative who is paid to go to appointments with the patient and help out at home so that the patient takes prescribed medications.

Scarcity of clinicians necessitated this innovation. But the outcomes transcend that necessity: Given their personal connection to patients, accompagnateurs are actually better suited to providing this support than doctors. Now, in the United States and Europe, adapted forms of this role are improving patient success rates and reducing costs.

New technology can also provide an impetus for innovation in task allocation. In financial services, automatic electronic trading significantly streamlined securities-trading operations. Traditionally, traders spent a lot of time taking orders by phone, risking error if the trader misheard or misrecorded the instructions. Automation reduced the chances of error and enabled traders to spend less time on small orders and focus instead on deals involving significant capital investments. Meanwhile, rather than relying on impressions from a series of rapid conversations, traders could analyze data from comprehensive run sheets of small orders, thus improving their insights about trading trends.

### What tacit social assumptions influence task assignments?

In health care, physicians often assume that one-on-one meetings are necessary to build trust with patients. Assumptions like this can blind professionals to other ways of achieving the same goal. In a group setting, for instance, the physician's thoughtful, positive, and respectful response to each person inspires the trust of all patients in the room.

Changes in the patient experience feel risky to both clinicians and patients. Consider a change in who takes notes during an appointment. In the one-on-one model, physicians performed this task because they were responsible for creating the medical record. In the new format, a nurse attends the shared appointment and takes notes directly into a computer. Before patients leave, they check a printout of the notes, including any orders and prescriptions, for accuracy and can ask the doctor



questions. A clinical team considering this change might be concerned that patients would perceive a lack of personal attention. In fact, the opposite is true: The doctor makes more eye contact with patients and has time for questions because he or she is not taking notes and finishing documentation. This change in task contributes to patients' reports of higher satisfaction with their care in the shared appointment.

Changes that alter the client experience are also considered risky in financial services. When electronic trading started to replace manual trading at investment banks, traders worried that clients would feel they were getting less attention and that their trust would decrease. As it turned out, small customers liked electronic trading because it ensured that everyone, regardless of size, got the same treatment. Idiosyncratic procedures were replaced by standard protocol, and so, ironically, automation increased clients' trust.



## The Delivery Location

This dimension of service delivery, which is easily taken for granted, is often defined by the provider's needs rather than the client's. Banks occupy offices that they expect their clients to visit. High-end investment advisers operate out of expensively furnished offices in recognized financial hubs. Health care gets delivered in clinics for outpatients and in hospitals for inpatients, even though an individual with a chronic disease may have to go to a host of locations for appointments, lab tests, physical therapy, medical accessories, and social support. Even if each of those services is competently provided, the overall delivery of the patchwork quilt of care may be inconvenient, expensive, and less effective than it could be. When access is difficult, patients are less likely to adhere to physicians' counsel. Both efficiency and outcomes may be compromised.

Location, therefore, is a powerful lever for redefining a service. Again, you must ask two questions:

**Does the location limit clients' access or success?** The answer to this question establishes the innovation opportunity. Stuart Rutherford, the chairman and cofounder of the microbanking company SafeSave, was struck by the huge need for retail banking services in the slums of Bangladesh. He couldn't picture low-income Dhaka residents going

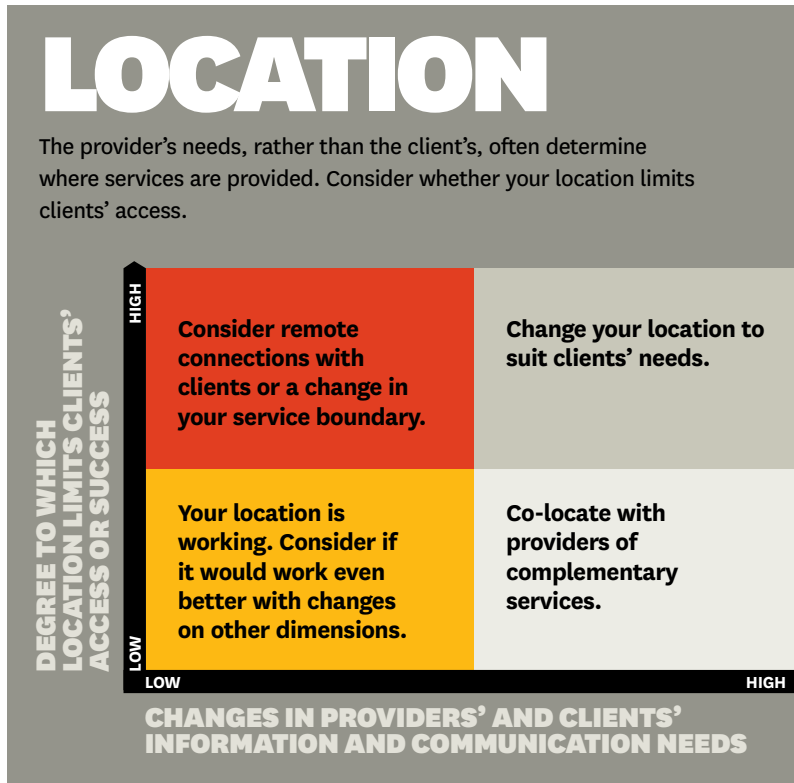
into a bank branch and engaging with middle-class employees. But doing business with local money-lenders was typically an expensive and even dangerous proposition.

Rutherford recalled from his childhood that insurance agents would ring the doorbell at his home. So he decided to take banking to the slums. He envisioned bank agents going to the client's doorstep to collect deposits and offer withdrawals, a few takas at a time. Unlike microcredit organizations, whose primary focus is microbusiness finance, SafeSave focuses on savings and loans for everyday needs. In 15 years, the company has made about 100,000 loans totaling over \$6 million and has taken more than a million deposits averaging about \$0.35 each. The loan recovery rate is 97%, and despite the tiny amounts of the loans and deposits, SafeSave reported a 4.5% return on assets and a 16% return on equity in 2012.

Changing service locations also solves access problems in health care. In geriatric medicine, for example, residents of long-term-care facilities have trouble getting to and from outside appointments. They often spend more time traveling than they do with the doctor and must wait for transportation, a nurse, and a wheelchair at each end. They must also change into and out of hospital attire, a difficult experience for the elderly and disabled.

In partnership with the network-management company Cisco, a geriatric hospital in Paris solved this problem by installing booths in which patients consult with specialists using a high-quality videoconferencing system. The booths also have blood pressure gauges, stethoscopes, and other devices operated by an attendant, who immediately transmits readings to the specialist. Care coordination is improved because the local doctor can be in the booth with the patient and speaking directly with the specialist rather than communicating through notes in the medical chart. Patients also are better informed because they witness the interactions between local and remote providers, and some report feeling less intimidated.

Even within the same building or on the same campus, location and information needs are often poorly matched in health care. Unrelated medical specialties are often co-located, while patients end up on a treasure hunt for related groups of services, walking long distances between offices and returning often. Recognizing this issue, MD Anderson Cancer Center created care delivery teams on the basis of




no longer need branches to make transactions and do not need a face-to-face conversation with a bank employee to answer their questions. Similarly, most employees no longer need large desktop computers to safely access customers' information. In response to these shifts, Dutch banking giant Rabobank has adopted a new way of working: Rabo Unplugged. Instead of having private offices in administrative buildings and assigned desks in branches, employees have access to different types of workspaces: social spaces for meetings with fellow employees or customers and quiet spaces for focusing on specific tasks. Employees decide each day whether they can serve their customers best by working at home, in the office, or in the customer's office.

Similarly, some hospital systems have discontinued particular services at their main campuses. Cleveland Clinic, for example, no longer delivers babies at its highest-acuity main hospital. Instead, an integrated array of prenatal, childbirth, and pediatric services is offered at more-convenient and less-expensive community facilities.

**PROVIDERS CONSIDERING INNOVATIONS** in how they define and deliver services should examine interactions *among* the four dimensions. A change in one may enable—or block—possibilities for innovation in the others. For example, a service model of many providers for one client may require a shared location. Redefined service boundaries often enable changes in who performs which tasks and where. A friend or neighbor, for example, may provide services at home that a physician or nurse would perform in the office. In using our framework to identify and assess service innovation opportunities, therefore, managers need to consider how answers to the questions in any one dimension could affect answers to those in the others. Indeed, the more significant and dramatic the innovation, the more likely it is to involve changes along multiple dimensions. Each dimension opens an opportunity to see new ways to help clients improve their chances of success. ♥

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cancer type, not medical specialty. Most members of these teams are co-located. Some expensive machines and some services, such as chemotherapy, are shared across types of cancer, but the fundamental structure joins physicians, nurses, and ancillary services into a permanent team that treats patients needing its combined services. This redefinition of clinical teams not only makes treatment more convenient for patients but also enhances the flow of information and accelerates the team's learning, resulting in significantly improved medical outcomes.

**Have communication and information needs changed?** The best service location is one that aligns the provider's and the customer's information and communication needs. In many cases the alignment is far from perfect. In retail banking, for example, the rationale behind the branch network is for employees to be close to customers, to share resources (such as a computer network), and to provide a secure environment for storing sensitive financial information.

But with powerful laptop computers, mobile devices, and secure internet connections, customers