



Winnovation

BY ROWAN GIBSON

Innovating Healthcare

The first modern hospitals were founded in Europe and America in the 18th century. About a hundred years later, both the pharmaceutical industry and the health insurance industry began to emerge. So it's safe to say that, in much of the developed world, the healthcare business has been around for about two or three centuries. And, over time, like most other businesses, it has become bigger, better and faster. But has it actually become *different* in any essential ways? Not really. Yet that's about to change. In a world of hyper-accelerating change, global competition, rapidly commoditized products and services, and unprecedented patient primacy, the industry is waking up to the need to reinvent itself from top to bottom for a whole new era.

Over the last few years, I've been spending a disproportionate amount of time with healthcare people. Not because I'm sick (thankfully!). But because there's a growing recognition right across the industry that the strategies and business models of the last couple of centuries may no longer be fit for purpose. The world is simply changing so much, and so quickly, that the old ways of doing things (and they are *very* old) are looking increasingly archaic, perhaps even obsolete.

As regular readers of this column will know, my approach to radical rethinking and renewal is centered on a set of strategy tools called the “Four Lenses of Innovation”. Briefly, they are: challenging orthodoxies, harnessing trends, leveraging resources in new ways, and addressing unmet customer needs. And if we look at what is happening in the healthcare industry around the globe, we can see numerous and very exciting examples of these four “lenses” in action. Here are just a few.

One of the stubbornly enduring orthodoxies in hospital management is the age-old notion that we all make mistakes – “to err is human”. Everyone has heard horror stories of people having the wrong leg amputated, or getting an operation that was meant for the patient next door. Every year in the U.S., for example, millions of hospital patients suffer injuries – about 100,000 of them fatal! – from things like false medication, incorrect dosage, inefficient diagnostics, duplicated procedures, and so forth. Yet in healthcare, people have long accepted these medical errors as “part of the system”. This is clearly an orthodoxy that must be challenged. When IBM took a good look at what was going wrong – and all too often it was stupid things like illegible handwriting, misplaced decimal points, missed drug interactions and allergies – they realized they could alleviate the problem. They offered to use IT to help hospitals manage their patient data a lot more effectively, in much the same way that companies manage their supply chains. This was the birth of IBM Life Sciences, which has grown from a 2-person unit in 2000 to a multi-billion dollar, 1500-employee business today.

Consider another orthodoxy – this time in the pharmaceutical industry. The traditional pharma model is based on drug discovery – testing thousands of compounds to see if any of them makes a measurable difference. It’s a model that has essentially remained unchanged since the industry got started in the 19th century—the only difference being the scale and efficiency with which today’s pharma companies can manage the compound-testing process. Today, however, a new set of players has emerged – companies like Amgen, Genentech, and Genzyme – where the business model is focused on understanding disease mechanisms (i.e., genetic diseases, immune system disorders, heart disease, cancer) and creating targeted products that address those mechanisms. Their promise is “personalized medicine,” in which the therapy can be matched to an individual’s own unique genetic makeup, as opposed to big pharma’s “mass medicine” model. By innovating around gene-based therapy, which is based on completely different skills and assets from conventional drug-making, this new breed of pharma companies is fundamentally changing the game. Which explains why Swiss pharma giant

Roche was recently so focused on swallowing up biotech pioneer Genentech.

Now think about trends. Look at what's happening in the technology field alone – from e-health to handheld scanners, mobile information devices, telemedicine, surgical robots, remote diagnostics, “integrated digital hospitals”, 24/7 access to full medical records, and the list goes on. Or consider the parallel trend “from high tech to high-touch”, where design elements such as nature, color, lighting, noise reduction, and so forth, are being used by a few cutting-edge hospitals to promote what is known as a “healing environment” that treats both body and soul.

Then there are healthcare providers that leverage their resources in novel ways to create new value for customers. India's Apollo Hospital Group, for example, which is the largest healthcare provider in Asia, and the third largest in the world, uses its expertise to offer medical business process outsourcing – i.e. writing of diagnosis reports, medical coding, billing etc. – to hospitals right across America. And for many of these hospitals, Apollo take cares of radiology, X-rays, ultrasound, CTs and MRIs when it's nighttime in the U.S., taking advantage of the time difference. The company's IT-enabled services already generate tens of billions of dollars.

And what about unmet customer needs? Again, there are great examples. Like Florida Hospital, where staff did “day in the life” profiling of patients so they could better understand and address their problems and frustrations. Or California's Fresno Surgical Hospital, which has modeled itself on the Ritz Carlton hotel to offer a “5-star patient experience” –including luxury rooms, mini-bars, art on the walls, and food prepared by a Ritz-Carlton chef.

True, many of these examples are still about improving what has always been done. But as all this exciting innovation activity continues, I believe we'll soon see the healthcare industry doing things it has never done before.

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