

Example of a case study on shouldice hospital limited case study

[Business](#), [Company](#)



A Case Study on Shouldice Hospital Limited: Practical Marketing Solutions

Critical problems/issues

Shouldice Hospital Limited, a Canadian hospital specializing in hernia operations is considering whether and how to expand capacity and reach of its services while maintaining the quality of service delivered.

The hospital also faces the paradox of change given the current manager is 60 years old.

Assumptions

Increasing capacity of the facility will increase the profitability of the firm because they will be able to serve many customers.

Increasing capacity will help in reducing waiting lines because currently, there are no operations scheduled during weekends.

Expanding the capacity of by beds by 50 percent would enable the organization schedule the operating rooms more heavily.

If not well implemented, increasing capacity could compromise the quality of service offered by the hospital.

It is assumed that the hospital is operating at “ best operating level” because the case describe how efficiently the hospital is ran and the high level of satisfaction with the treatment offered to patients.

Analysis of critical issue

Shouldice is currently facing a paradox of change. The hospital is operating at its best operating level for a service company with limited flexibility in its

plant, and a specialized workforce, but is failing to meet all the demand for its chosen market niche. Management has it that adding additional capacity could upset the existing work force and lower the quality of service offered to customers. Failure in meeting the market demand may invite competition that could eventually lead to loss of market share on part of Shouldice and end up with excess capacity (Kotler, 1998).

Justification of the problem

Shouldice is a service organization, and since services cannot store their products and services. Inventory proves important because offerings are perishable and inventory handling cost money (Kerin et al., 2006). In order to increase their output and maintain the quality of service offering, Shouldice should increase the size of the premise in which the services are provided. This will require a large capital investment and considerable amount of time. Expanding the facility would cause major disruptions to the country atmosphere and quality of the hospital. This therefore leaves the organization with limited flexibility.

There is also limited flexibility of the staff. The current surgeons and surgeons' assistants are specialized in their fields and less motivated for cross training.

Marketing alternatives and rational

The 8 P's comes in handy when considering marketing mix for services.

Marketing mix, which comprise of product, price, place, and promotional strategies helps organizations achieve marketing objectives in the target

market. An organization can adjust these components in response to market conditions to achieve organizational goals (Gilmore, 2003)

Add Saturday operations

Add new floor space (45 more hospital beds)

Establish a new facility for hernia

Expand to other types of services

Evaluation of alternatives

Making Saturday an operating day

The advantage of extending operational days to Saturday has the potential of still maintaining quality. It will also not require additional investment because the organization will work with current staff and facilities.

However, working on Saturday will require the firm to schedule 23-35 operations on Saturday. Additionally six surgeons will be required to work on Saturday, in addition to requiring additional personnel. This alternative will violate the implied contract the hospital has with its surgeons, and as presented in the case, senior doctors are strongly opposed to this alternative. This can result to low service quality because of reduced productivity (Larson, 2007).

Adding the total number of rooms from the current 89 to 134 rooms

Adding additional bed space to the current facility will enable the organization to retain their culture and environment. Additionally, pursuing this alternative makes it easy to maintain and control quality

However, this option will require scheduling doctors to full capacity of the five operational days. It will also increase the workload on admissions, catering, laundry, accounting, and housekeeping. Adding capacity to the existing facility would put pressure on the dining hall that can accommodate only 100 patients, thereby staggering meal hours. Lastly, construction of the additional space could disrupt hospital operations.

Opening a second facility for treating hernia

Opening a new facility would enhance proximity to customers, for example, opening a new facility in the US would reduce transportation cost for patients. This will also increase its competitive position and increase profits. Given the government regulations in Ontario, opening a facility in another location with less restriction could enhance profitability. The firm will also benefit from transfer of knowledge and expertise to new facilities, in addition to offering new opportunities for existing personnel.

However, this alternative will require significant capital investment and bring problems regarding quality control. In addition, it is difficult to create the same culture and atmosphere in a new plant. Lastly, the firm may face competition from existing facilities in the new location.

Diversifying to other services

Diversification has its advantages including increasing the breadth of the firm's offerings which would translate to increased revenues and profitability. The problem with this alternative is that it will require capital investment on

hiring new staff to offer the services. It may also require additional space and skills.

Recommendations

The firm should start operations on Saturdays. Adding Saturday operations is more viable because it does not require fresh investment and the firm will still be able to maintain quality. The option of introducing Saturday working option should come in handy in peak periods like September to reduce backlog. The firm can use the additional rooms found on the third floor during peak seasons for patient stays.

The firm should also consider replacing the chief Dr. Obney from a pool of well-experienced doctors within the organization. Since the firm already has a well-established market for its service, marketing strategies aimed increasing customer base will not meet hospital's current operating capacity. In addition, getting more patients is not a priority because the hospital is well established. This is evident from the recent reunion function that attracted 14, 000 alumni.

Action Plan

1. Perform Saturday operation only during peak season of backlog (September – Maximum of 4-8 weeks)
2. Conduct admissions on Sundays using the present administrative staff.
3. Use the 14 hostel rooms available in the second floor to accommodate patients during peak periods.
4. Incentives offered to nurses, doctors, and other staff working on Saturday

to be paid twice that of normal days.

5. Replace Dr. Obney with the existing experienced within six months.

References:

Gilmore, A. (2003). *Services Marketing and Management*. California: SAGE.

Heskett, James L., and Roger H. Hallowell. (2005). *Shouldice Hospital Limited (Abridged)*. Harvard Business School Case 805-002.

Kerin, R., Hartley, S., Berkowitz, E, & Rudelius, W. (2006). *Marketing (8th ed)*. NY: McGraw-Hill.

Kotler, P. (1998). *Marketing management (7th ed.)*. New Delhi, India. Prentice-Hall.

Larson, J. (2007). Using conceptual learning maps and structured dialogue to facilitate change at a large health system. *Organization Development Journal*, 25 (3), 23-30.

Exhibit: Evaluating alternatives

Option 1. Adding floor space (45 beds)

Investment (fixed cost) = \$2, 000, 000

(Budget costs estimated per year for clinic were \$2 million as per 1983)

Revenue per patient = \$510

(\$450 surgical fees, \$60 of assistant surgeon fees)

No. of operations per week

(Assumed 50\$ of 30 operations = 50 Nos) = 15 Nos×5 days

= 75

No. of weeks operations performed beyond existing capacity

= 8 weeks

(it is assumed that peak of 165 operations, performed only for one month (September 4 weeks) above the annual average of 137. Assuming a factor of safety of 3, the total no. of weeks $4 \times 2 = 8$ weeks)

Revenue from the hospital = 45 beds \times 8 weeks

= 5days \$111

=\$199, 800

Revenue from clinic = 74 operation \times 8week \times \$510

= &306, 800

Total revenue from clinic and hospital per year =\$505, 800

Time for recovery of costs =\$2, 000, 000/505, 800

= 3. 95 years

= 4 years (rounded off)

(It is assumed that there is no additional staff and their costs are included).

Option 2: Saturday operations

Revenue per patient =\$510

(\$450 surgical fees, \$60 assistant surgeon fees)

No. of operations in a week

(It is assumed the peak of 165 performed only for one month (September for 4 weeweeks) above annual average of 137. Assuming a factor of safety of 2, the total no. of weeks, 4 weeks \times 2 = 8 weeks)

Revenue from hospital

$$(28 \text{ operations} \times (8 \text{ weeks} \times 1 \text{ Saturday}) \text{ days} \times 3 \text{ days per operation} \times \$111) \\ = \$74,592$$

Revenue from clinic

$$(28 \text{ operations} \times (8 \text{ weeks} \times 1 \text{ Saturday}) \text{ operations} \times (8 \text{ weeks} \times 1 \text{ Saturday}) \$510) \\ = \$114,240$$

Total revenue from clinic and hospital /year

$$= \$188,882$$

Cost to hospital

$$\text{Surgeon salary} = \$50,000/365 = \$137/\text{day}$$

$$\text{Asst Surgeon salary} = \$63/\text{day}$$

$$\text{Nurses \& admin staff salary} = \$100/\text{day}$$

$$\text{Misc expenses} = \$100/\text{day}$$

$$\text{Total cost} = \$400/\text{day}$$

To perform additional 28 operations, assuming the same team (12 pp) has to work for an additional day per week for 8 weeks, the total cost incurred

$$= \$400 \times 28 \text{ days}$$

$$= \$38,400$$

By giving incentive twice of the normal day, the cost incurred = $\$38,400 \times 2$

$$= \$76,800$$

$$\text{Net additional profit} = \$188,882 - \$76,800$$

= \$112,032

Exhibit 2: Current accommodation facility usage pattern

Total No. of possible operations = 5 days × 30 operations

= 150

Total number of operations performed

(in the year 1982) = 6850

Annual average operations per week = 6850/50

= 137

Maximum no. of operation in a year/week = 165 (in September)