

Shouldice hospital
limited abridged



**ASSIGN
BUSTER**

3/26/2013 Shouldice Hospital Limited (Abridged)

Summary of case discussion Indicators of success • Profits –

Revenue = $7600 * (320*4 + 650 + 300*20\%) = \15 mil. – Costs = \$8.

5 mil for hospital + \$3.5 for clinic \$ \$ – Profits = \$3 mil • Word? of?

mouth advertising –

Afraid of advertising for fear of generating too much demand •

Backlog of demand – Currently 2400, growing at 100 / 6 mo. •

High percentage of doctors as patients • L Low recurrence – 0.8% vs.

10% at other hospitals • Patients reunions • Low employee turnover 2 1

3/26/2013 Capacity at key resources Examination –

6 rooms x 3 patients/hr x 3 hrs/day (1? 4pm) x 5days/wk = 270 patients/wk

• Operating rooms – 5 rooms x 7hrs/day x 5days/wk x 1 patient / (hr.

room) = 175 patients/wk • Surgeons – 10 surgeons x 1 patient / (hr.

surgeon) x 8 hrs/day x 5 days/wk = 400 patients/wk • Rooms –

Assume patients stay for 4 nights, and level demand –

Number of patients per day (Sun – Thur) = $89 \text{ rooms} / 4 = 22$ –

Capacity = $5 \text{ days} / \text{wk} \times 22 / \text{day} = 110 \text{ patients} / \text{wk}$ “ Rooms” is the bottleneck.

So indeed capacity expansion, if any, should start with this resource.

Notice that this processing rate does not add up to 7600 patients per year th at Shouldice is handling.

Possible reasons: patients stay for fewer nights, or they admit more patients toward the end of week, or there is an “ overflow” area in the hospital. 3

Why patients like Shouldice? • Low price – \$1990 (excluding travel) vs.

\$5240 at other hospitals • Low recurrence rate • Facilities/decor –

Investments made in assets such as carpeting, common areas (the

Florida room (e.g.), low stairs, nice grounds. • Socialization/ambiance

Schedule patients with similar backgrounds in the same room –

Group activities (e.g., tea and cookies) to alleviate anxiety and build relationships –

Create pleasant, non-hospital-like atmosphere •

Fast recovery – Days vs. weeks at other hospitals –

Early ambulation (confidence, medical benefits) 4 2 3/26/2013

Why employees like Shouldice? • Doctors –

Regular hours, on call but rarely called, good pay –

Low risk surgery, opportunity to be the best in class • Nurses –

Minimal physical assistance –

Counseling activities, instead of changing bedpans Staff –

Cross training, helping each other – Interactions (e.g., in dining room) –

Strong concern for employees, nobody is fired 5 The focused factory model •

A narrow market segment (a simple type of hernia repair), ensured by a

careful screening process • An innovative procedure that emphasizes early

ambulation which leads to

An innovative procedure that emphasizes early ambulation which leads to

quick recovery • Standardized procedure, not to be varied •

Patients are basically well, allowing demand to be inventoried (and thus

easy scheduling) • Family?

Style management allows a highly specialized workforce to “

decompress,” leading to happy employees with low turnover •

Low investments by sharing resources (e.g., anesthetists, nurses) • Help

patients help themselves (e.g. tea and cookies to mix pre-operative

patients help themselves (e.g., tea and cookies to mix pre-operative

patients with post-operative patients) •

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Attention to details: no TV in room; carpeting; low? rise stairs for easy walking; walk from the operating table; gardens; good food, etc. 3/3/2013

Options for capacity expansion • Saturday operations – Pros: no investment –

Cons: interferes with regular work schedules • Invest to build more rooms –

Pros: keep regular work schedules –

Cons: heavy utilization of other resources • Another hospital –

Pros: there is a market (1 million hernia operations a year (p y in the U.

S.), save travel costs for patients – Cons: Quality control? Sources of doctors.

• Another procedure – What? Expertise? Markets? Too many questions.

Most students chose either the second or the third options. 7

Key learning points • The focused factory approach leads to more added value (and thus higher competitive added value (and thus higher competitive advantage): it increases the customer's willingness? to? pay and lowers the cost, at the same time. •

The devil is in the details: many operational details, although seemingly routine and minute, play an important role in shaping strategic decisions (such as capacity expansion here). 8 4