Case: shouldice hospital: a cut above

Business, Management

Shouldice case analysis The management of Shouldice hospital are faced with two decisional choices and do not know what to do. As an advisor to the hospital management, I find it clear in my opinion that both the two choices are good for the hospital depending on whether the hospital would like to consider the option under the short run or the long run plan.

In case the hospital needs to make adjustments to meet immediate needs of its patients, i. e. to consider an option under a short run plan, then the hospital will look at the variable costs of the hospitals if they can be adjusted to meet the hospital requirement. In this case, the hospital would better consider adding one more day of operation to the hospital's schedule rather than adding a second floor to the hospital increasing bed capacity by 50%. This decision comes forth when it is considered that not all the days does operation take place to maximum capacity. Therefore, the days that operation do not take place to maximum capacity, the schedule can be squeezed to fix more time for more operations to take place on an extra day. This will be less costly to implement and it will not interfere greatly with the daily operations of the hospital therefore would be recommended.

On the other side, looking at the financial outlay of the hospital, a further long run plan can be put in place where fixed costs of the hospital operation will be adjusted to ensure the a larger capacity of patients are given admission and not just given admission to the hospital, but get a bed space and the spaces between bed spaces are also adequate to avoid spread of certain diseases from one patient to another such as communicable diseases as tuberculosis.

Looking at the total expansion cost for the hospital and beds, it adds up to

$4, 500, 000. This is an amount which can be raised by the hospital when operating in full capacity for close to 86 weeks since when the hospital operate in full capacity, it can only raise $52, 500 per week as the total additional revenue. This makes this option be unfavorable since the payback period for the total extra cost of expansion is too long hence the hospital will go for such a long time before breaking even.

The strengths of this hospital lie with the fact that it has a high affinity for patients, it receives a lot of patients per day and this gives it a good competitive edge over other hospitals. The weakness to this hospital is that it has inadequate capacity therefore its ability to admit more patients is infringed. Nevertheless, there are lots of opportunities for the hospital to admit more patients in case the plan to increase capacity succeeds. In case this plan does not succeed, the hospital stands bad chance to threat of losing most of its clients to other hospitals as the bed capacity is not enough to accommodate the newly admitted patients.

In a nutshell, following the above summary of analysis, it is advisable for the hospital to add one more day for operation since the decision comes with less cost as well as less interferences with the daily operations of the hospital. By this, the hospital can make additional revenue that can then be used for expansion in future.