
Service Business Model Innovation in Healthcare and Hospital Management

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Editors

Service Business Model Innovation in Healthcare and Hospital Management

Models, Strategies, Tools



Springer

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Preface

The articles in this anthology provide examples of service-oriented business models in health and hospital management. They enlarge upon the drivers, strategies and tools to seize opportunities for analysing, modelling and implementing ground-breaking business models. In turn, they act as a basis for our classification while ensuring the success of and safeguarding the existence of service organisations in the health market. In the final analysis, the only guarantee of sustainable success is achieved in the case of co-aligning the interests of customers, business partners and one's own organisation. Value creating healthcare ecosystems decisively depend on the coordination of multiple internal and external stakeholders by means of a network governance.

On the one hand, it is not only necessary to revise already existing business models and foster the emergence of new ones, which can be either complementary and supportive or disruptive. Critically reflecting the entrenched orthodoxies in health care prevents the incumbents from becoming self-complacent and path dependent with respect to legacy models to be replaced by service model innovations.

On the other hand, service organisations can only survive in increasingly disruptive health markets if they deliberately let patients and cases evolve into customers and clients displaying desires, needs and preferences.

Furthermore, to keep the competition at bay, it is important to create truly distinctive products, services and benefit bundles to gain a sustainable competitive advantage over competitors by means of being cheaper, better, different or disruptive.

One way to do so is combining the components of one business model in new and different ways or through designing new business model modules. That means that differentiation can be accomplished by creating and establishing unique business model components (such as services) to enhance overall value from the viewpoint of the customer, client or patient.

Of course, it is necessary to keep customers aware of the uniqueness of a service, which is somehow difficult in the case of trust-based healthcare services, since they resist clear-cut validation and measurement with respect to process qualities or outcomes. Nevertheless, successful business models in health care boost customer loyalty, enhance customer benefit and may contribute to a competitive cost structure of service organisations with respect to the automations and digitalisation options.

This is why decision-makers in service organisations need a strategy to systematically come up with business models for profitably positioning themselves on the market while augmenting the value of their service organisations in the healthcare industry. Hospitals compete on efficiency and effectiveness on the one hand and are challenged to pre-empt the future by means of business model innovation and disruptive services.

They have to place a good amount of their bets on disruptive models to be braced for prospective customer, technology and therapy challenges, which may endanger the status quo of rejected or neglected. Confirming and continuing established healthcare doctrines contributes to unproductive path dependencies in health care that forestall the opportunities of radical paradigm shifts towards 4.0 applications.

Adopting the perspective of radical business model innovation, groundbreaking business models serve as the stepping stones for next-generation innovations challenging hitherto accepted wisdoms of doing business in health care. The art of business model management lies in change leadership to master the present efficiently while pre-empting the future by means of innovation, creativity and disruptive initiatives.

In order to be poised for the future, service organisations should address the following questions, which in sum resemble a ‘stress test’ to assure the organisational resilience and agility:

- Which (disruptive) combinations of services can be offered as outstanding customer solutions beyond standard operation procedures or best practices?
- How can healthcare organisations and hospital add substantial value to their core business or augment the latter by means of business development, portfolio restructuring or competence-based diversification?
- How can expert organisations be transformed into patient-centred service organisation for the purpose of perceived end user satisfaction?
- How can hospitals manage the transition from functional professional organisations to integrated healthcare providers resembling a hub with outgoing service spokes?
- How to design and implement user-driven service value chains considering the patient as a cornerstone of co-value creation?
- What are the appropriate steps to overcome hospital legacies, core rigidities and constraints by means of entrepreneurial zest and service model redesign?

Hospitals and healthcare providers increasingly compete for overarching business models instead of narrowing their lenses to single end services, therapies or dedicated outcomes. Additionally, many service organisations prefer the exploration of ‘blue oceans’ to defending ‘red oceans’.

Rule-breaking breakthrough ideas have to be analysed against the state-of-the-art service-oriented businesses incorporating past commitment and legacies. We make the point that conventional management wisdom clings to a methodology which performs greatly when it comes to rationalisation, rationing and prioritisation. But business model innovation goes far beyond the ‘lean and mean’ debate because it

challenges the architecture of value generation in the healthcare sector. Interdependencies, interfaces and interacting value partners are the ingredients of service model innovation, which could either harness the power of scale economies, automation and uncompromising lean imperatives or emphasise elite positioning by means of rocket science innovation. No frills as well as many frills can be options for business models to gain and sustain competitive advantages.

Radical business models should cast an open eye on the overall risk which can be dissected into sub-risk dimensions such as market risks, technology, risks, social risks or financial risks. A risk-taking attitude is endemic for front runners that want to stand out from the crowd through exceptional market offers and benefit bundles. Business model coherence amounts to a dynamic balance between a flurry of internal and external destabilising factors which may cause derailment of service delivery.

Service-oriented business models are anything but blueprints, since they must incorporate a governance model having concrete objectives, steps and customer benefit in its track. In the final case of implementation, they represent lived realities and powerhouses of value creation.

In any event, there is one thing that pioneering business models can achieve: they can reach new target groups. After all, it is only by meshing efforts with the customer that constitutes the key to successfully developing progressive business models. It is not the resources but the strategy that decides on the success of cutting-edge business models. This is the reason why no service organisation taps the full potential of innovative business models. The changing environment of organisations has an impact on existing business models, which is why it contributes an element of innovative business models (refer to Fig. 1).

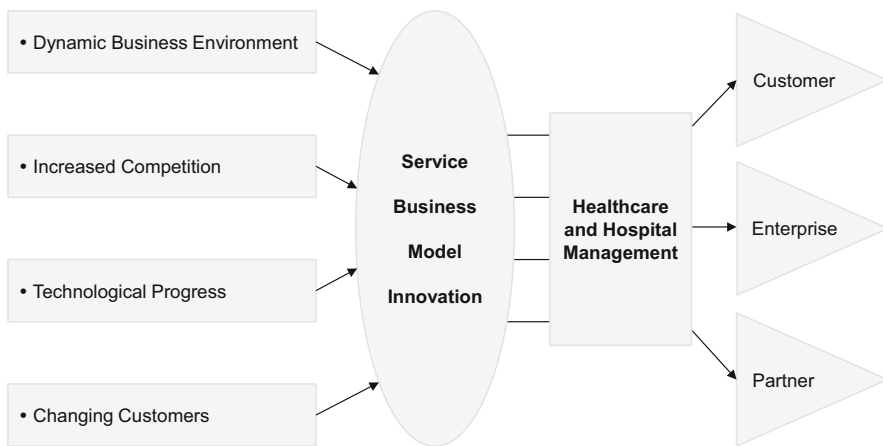


Fig. 1 Service business model innovation in healthcare and hospital management. Source: Own illustration (2016)

The contributions of the authors in this anthology are structured in the following fashion: contribution title, summary, introduction, main part, conclusion, bibliography and biography. Furthermore, each author sums up his or her explanations and insights in the article for a summary at the end of the article.

We would like to thank the numerous authors of this anthology who brought a wide array of fascinating issues from practical experience and engrossing science topics into our anthology. Finally, we want to extend our warmest gratitude to Ms. Balaraman, Mr. Naren and Dr. Glaeser at this point who contributed his ideas to support us in compiling the layout of this anthology and put the whole book with the chapter together.

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Contents

Service Model Innovation in Hospitals: Beyond Expert Organizations	1
Christoph Rasche, Tiziana Margaria, and Barry D. Floyd	
Strategies with Service Business Model Innovation	21
Lesley A. Clack	
The Integrated-Physician-Model: Business Model Innovation in Hospital Management	31
Daniel Liedtke, Niowi Amgwerd, Ole Wiesinger, Dietmar Mauer, Christian Westerhoff, and Stephan Pahls	
The Role of Digital Disruption in Healthcare Service Innovation	57
Guy Ford, Mark Compton, Graham Millett, and Alex Tzortzis	
The Opportunities Offered by Digitizing Clinical Pathways	71
Sören Eichhorst, Karl Liese, Stefan Moder, and Manuel Möller	
A New Perspective of Product-Service Business Models for Customized Manufacturing in Healthcare	87
Golboo Pourabdollahian and Giacomo Copani	
Patient Driven Service Delivery Models in Mental Health Care	111
Patricia E. Alafaireet and Howard Houghton	
Essential Characteristics of Service Business Model Innovation in Healthcare: A Case-Study Approach	137
Brenda Gleason and Jennifer Bohn	
Characteristics of Service Innovation in Hospitals: A Case Study of Three Mexican Hospitals	159
Leonel Corona-Treviño and Constanza Márquez-Aguilar	
Business Model Design and Entrepreneurial Risk Evaluation for Health Service Innovations	179
Martin Dietrich and Florian Hilfinger	

Guided Business Modeling and Analysis for Business Professionals . . .	195
Steve Boßelmann and Tiziana Margaria	
Modeling Directly Executable Processes for Healthcare Professionals with XMDD	213
Steve Boßelmann, Alexander Wickert, Anna-Lena Lamprecht, and Tiziana Margaria	
Lean Tools for Service Business Model Innovation in Healthcare	233
Elliott N. Weiss, Sean Jackson, Austin English, and Donald Stevenson	
Continuous and Co-creative Business Model Creation	249
Seppo Kuula and Harri Haapasalo	
e-Health and Co-production: Critical Drivers for Chronic Diseases Management	269
Gabriele Palozzi, Daniele Binci, and Andrea Appolloni	

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