

## Service Line Management: Three Principles That Separate the Winners from the Losers

*Keith T. Pryor, for HealthLeaders News, November 21, 2008*

If you were in business school during the 1970s, you were likely a disciple of one of the hottest management trends of that era—product line marketing. Proctor & Gamble and General Electric led the way, sharing the wisdom of thinking from the customer's perspective and organizing the business accordingly. Graduates of leading MBA programs soon began to covet assistant brand manager jobs, hoping they would lead to executive positions where they would orchestrate the work of sales, manufacturing, and other functional areas to meet the needs of their clients. Brand leadership soon reigned supreme within our most respected corporations.

If you studied healthcare management a bit later, say the early to mid-1980s, you were likely captivated by the notion of service line management, healthcare's counterpart to product line thinking. It hardly seemed like a big leap. By then, product line thinking was no longer unique; it was ubiquitous. It worked. The logic behind healthcare service lines was similar and compelling.

That was 25 years ago, and healthcare still struggles with service lines. A few hospitals and health systems have made the conversion with aplomb and it is evident to many of their consumers that these hospitals think differently. Yet, some healthcare leaders still wonder if it is a good idea. Most are somewhere in the middle—tried it and failed or are still trying it.

Are we that different from other sectors? Is service line thinking such a complicated idea? In some ways yes, but probably not to the degree we often like to think. And as with most practices that don't work out over a long period of time but remain compelling, what separates the winners from the losers is less a matter of sophistication and smarts, and more often a matter of commitment to key principles.

In the case of service lines, those key principles are skillful leadership, clear goals and accountability, and results measurement. These are the areas where we get stuck.

### **Skillful leadership**

It isn't difficult to imagine that when a company undergoes a transformation from being functionally led (i.e., manufacturing or sales) to being product line led, strong leadership would be required to overcome years, if not decades, of a hidebound leadership model that is threatened by the new direction.

So, let's imagine that this has happened in a hypothetical consumer products company, where the leading soap powder is called Brand X. We would be surprised if Brand X's new product line leadership was, in effect, a committee with representatives from manufacturing, sales, and other disciplines leading the charge and working in a way that seemed more like a task force than an executive team.

Alternatively, we would also be surprised if a single executive—right out of graduate school—asked to take on this demanding product line role, facing down veterans in manufacturing and "sharp as a tack" sales representatives.

But somehow, in healthcare, that has all too often been our approach—triumvirates of physicians, nurses, and administrators, or freshly minted MBA/MHA types. And in a few cases, largely due to CEO backing and/or a supportive culture, these have worked (at least the triumvirate model).

But most of the time the challenges of this role require a skillful, experienced executive with influence, communication skills, and inspirational qualities to lead an organization forward. These are positions for top flight executives whom others are naturally inclined to follow. These positions require executives who have led mega-change processes. And, most important, these are not part-time jobs, as they are sometimes structured in our field. Service line leadership requires the commitment of an impressive and skillful executive to be successful.

### **Clear Goals & Accountability**

We would be surprised if we learned that our consumer products firm told its newly selected Brand X leadership to "grow the business, increase market share, strengthen financial performance, improve customer relationships" without real precision as to what those targets would be. We would expect that those goals would be crisp.

We would assume that the CEO had developed a culture that highlighted the importance of the product line and connected the results of Brand X and other product line efforts to those of the organization as a whole. It would seem intuitive to us that even though the organization is highly dependent on matrix structures, that goals throughout the organization would be aligned with product line targets to help ensure a cohesive and consistent direction.

We would assume that the product line manager for Brand X within the company would be accountable to a very senior executive—depending on the size of the organization this might even be the CEO.

There are lessons here for many of us in healthcare, who sometimes struggle to make service lines work "on the cheap." Leaders in successful service line delivery models are in high-profile positions operating with clear and well understood goals that pull in matrixed partners and align work products.

Successful service lines have clear goals and are accountable to the highest level of the organization.

### **Results Measurement**

Back to our fictitious soap manufacturer. Now picture that after setting up the new Brand X manager, he is told that it won't be possible to measure results accurately. It seems our company's systems were set up to count results a bit differently. We won't be able to recognize certain kinds of revenue, but we will try to estimate the amounts. There will be double counting of certain expenses, but that shouldn't make too much of a difference. The reports will not be particularly timely, but we can maintain some manual reports that will help keep us on target.

Brand X would likely be the correct name for this product. And yet, too many healthcare service line providers operate in ways that mimic all or part of this story. Guesstimates are common place. Real results are not known. Financials are in dispute. So success or failure is not clear.

Successful service line programs invest in systems that track results to enable management decisions and provide timely and accurate reports on those results. Service lines are tough to lead. But as with most management practices, success often distills down to doing a few things really well. And in the case of service lines, it is skillful leadership, setting clear goals with accountability, and carefully measuring results.

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