Executive summary and implications for managers and executives

Executive summary of “Success factors of new health-care services”

This summary has been provided to allow managers and executives a rapid appreciation of the content of the article. Those with a particular interest in the topic covered may then read the article in toto to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present.

Numerous studies have pointed out the importance of innovation and new product development to a firm’s well-being. Their value has increased further with competition becoming more intense and the shortening of product life cycles. It is challenging and costly for organizations to deliver new products that will generate a competitive advantage and secure longer-term prosperity. That failure rates remain extremely high illustrates the magnitude of the task.

The contribution of new innovation is equally vital in respect of services. Development of new services is likewise associated with such as attracting and retaining customers and profitability. But relevant research has largely concentrated on the development of products rather than services, which have unique characteristics relating to their intangible, heterogeneous and simultaneous nature.

Banking and other financial areas have been the focus of most empirical studies into service innovation. Attention from some scholars has mainly been on hotel, transport, social media and information technology sectors. In comparison, the healthcare industry has attracted minimal interest. This is despite innovation being regarded as a critical factor in the ongoing drive to lower costs and improve the quality of customer service. With regard to the latter, innovation continues to play a major role in improving such as diagnosis, treatment options, life expectancy and quality of life.

Innovation is seen as unique in a healthcare context because various stakeholders are typically involved. Along with patients and medical staff, this can include relatives, employees, social workers and the voluntary sector. Although customers are limited in terms of knowledge and experience, certain analysts insist they should fully participate in the design of new services. Given the number and diversity of stakeholders involved, certain authors contend that a holistic approach to the development of new healthcare services is essential. In other work, it is suggested that the role of stakeholders in the process should be determined by their “salience, centrality and relationships”.

Different studies have identified factors that can impact on the success of new services. These have been classified as being characteristics associated with:

- service, such as its distinctiveness and superiority. Innovativeness of service and its quality of delivery are also critical. Several scholars note that intangibility makes the role of these factors important;
- marketing synergy. This reflects congruence between a new service and an organization’s current marketing capabilities relating to product, pricing, distribution and communication. New services that fit with existing offerings are likelier to be successful;
- technological synergy, which indicates that the present capabilities in this area will enable new services to be successfully developed;
- new service development process, incorporating the various decisions, activities and stages involved from initial generation of ideas through to commercialization. Success is likelier when the different components of the process are formal in nature. Other key aspects include timing of the new service’s introduction and development costs. Process effectiveness can be enhanced through collaboration between the different functions and departments;
- management and employees. Ongoing support from the former should be reinforced through encouragement to employees and granting freedom to use their initiative. Commitment and enthusiasm in return is equally important; and
- market, relating to the different elements of its structure the most significant of which include potential, competitiveness and attractiveness. Responsiveness is also important as alignment between the service and market is essential if evolving customer needs are to be met.

Since this research has largely addressed other sectors, uncertainty remains as to which factors most impact on the success of new health services. Indounas & Avranti attempt to address this void with a qualitative study of new service development in three leading health organizations in Greece. The three companies are respectively a general health clinic, a maternity-gynecology and a diagnostic center all operating within a highly competitive industry where differentiation is hard to achieve.

The study involved in-depth interviews with senior figures within each company, supported by data obtained from such as media articles, newsletters and annual reports. Different stages of analysis were conducted in order to understand, categorize and interpret the responses given.

Findings revealed similarities between the three organizations in that new services should fit with:

- service-related characteristics, especially innovativeness, superiority and uniqueness. These are difficult to achieve but a competitive edge can be secured through the quality of service and its delivery. Quality can be signaled through a strong brand name;
- corporate synergy characteristics such as current financial resources, human resource capabilities and delivery systems. Managerial skills are considered less important;
- marketing synergy characteristics including existing competences and resources in sales, advertising and promotions. Policies relating to product, pricing and distribution are likewise important, as are market

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research capabilities. The economic crisis within Greece has heightened the significance of these factors;  
- technology synergy characteristics like existing technology and being equipped with the expertise, innovativeness and production facilities in this area;  
- service development process characteristics. Proficiency during specific stages and in the execution of activities associated with such as technology and market launch is deemed vital. However, less importance is attached to formality as firms point out the need for a flexible approach to the way stages are implemented. Collaboration between departments aids the development process and it is the norm for different functions to provide support at different stages; and  
- all market-related characteristics referred to above except for market orientation. That doctors have major responsibilities and have a non-marketing background is cited as a reason for orientation’s insignificance.

Empowerment of employees, ongoing commitment and support from top management and in terms of financial resources were also identified as highly important.

Main differences between organizations surrounded views on the importance of managerial skills, adoption of a market-oriented approach and the role of doctors in decision making. Doctors manage business units in two of these firms, while major decisions in the other are down to marketing and finance managers. In the authors view, the need to recruit people with specialist knowledge needed for a new service might explain the lack of importance ascribed to the fit with existing managerial skills.

Successful introduction of new services becomes likelier if healthcare firms focus on the type of service and its alignment with existing capabilities. Consideration of the development process, the different people involved and marketplace conditions is also imperative. Managers are also urged to build a strong brand name but are alerted to the considerable resources needed. Indounas & Arvanti additionally suggest greater focus on doctors as the importance of this stakeholder group. Increased knowledge accrued through greater involvement in new service development can help enhance their relationship with patients and the care provided to them.

Future work focusing on more cases or a quantitative approach might identify other success factors. Increasing the number of interviews with relevant personnel in a firm can help boost understanding of key practices and permit greater generalization of findings.

To read the full article, enter 10.1108/JPBM-04-2014-0541 into your search engine.

(A précis of the article “Success factors of new health-care services”. Supplied by Marketing Consultants for Emerald.)