



Value Rx for Healthcare

Edward J. Giniat and Barry D. Libert, Harper Collins, 2001, Price US\$32.00, 256 pages in hardback, ISBN 0-0666-2095-3

The prospect of reading and reviewing this book excited me because it promised to help any manager make the most of their organization's assets and to increase its value. Furthermore, it claimed to do so in a practical manner. It sounded too good to be true and, unfortunately, it was.

The book is written by US authors for a US audience and so it has some difficulty in relating to the European environment. A major target audience of the book is the American healthcare network as embodied by major hospitals, health management organizations (HMOs) and insurance companies. These do not have direct counterparts in many European countries, because even hospitals are organized and financially supported in different ways in Europe. Of course this does not mean that European healthcare organizations should not strive to create value, but they will find it difficult to identify useful guidance from this book.

The main problem is that although the authors have identified many sources of weakness or loss of value in organizations, they completely fail to explain how to rectify the situation. They strongly advocate measurement as a key step to success. Companies, corporations or healthcare units should identify their sources of value and measure how they are used to ensure that value is being created and not destroyed. The authors correctly point out that most organizations overlook certain sources of value, such as customers or employees, when evaluating or developing a business

plan, choosing instead to focus on physical assets such as buildings, equipment, products and technology. However, not once do they offer any guidance on how to identify such 'jewels', let alone how to place a quantitative value on them. I constantly felt as though I were being led to the brink of revelation, only to find that the vital clue was missing.

The book is full of interesting examples of companies that have applied some kind of innovative approach to add value, at least in the authors' opinion. These examples appear to be valuable role models for the rest of us to follow. Unfortunately, we are seldom, if ever, given evidence that the innovation really worked. A simple example is the attitude of Merck (Whitehouse Station, NJ, USA), 'the world's largest pharmaceutical maker' to its employees, whereby it actively encourages them to be innovative. One employee, according to the authors, suggested a 'breakthrough' idea to formulate Fosamax, a highly successful Merck product for osteoporosis, as a once-weekly instead of once-daily product. This seems like a great idea but we are not told if it was successful or how it influenced the fortunes of Merck. Therefore, it loses impact, at least for me.

Another example is a company called WebMD that the authors extol as an example of innovative use of the Internet to supply doctors and other healthcare professionals with information. The book was published in 2001, yet unfortunately I read recently

that WebMD is one of several health-related Internet companies that are in financial trouble, and have, therefore, failed to create value as advocated by this book.

Perhaps the real problem lies in the book's basic premise that organizations, like living organisms, have a genome. It opens with a brief discussion of Mendel and his pioneering work on genetics by crossing different varieties of peas. The authors assert that, just like plants or animals, an organization has a genome of assets that determine its future. This connection seems strained to me. We cannot change our genes and our future is determined as much by our environment and opportunities as by our genes. By contrast, an organization can select or change its assets and its strategy, although, like us, it will be strongly influenced by the external environment.

The book is easy to read and contains interesting examples from a wide range of companies and organizations. The interpretation of their meaning is the reader's responsibility but they might provide some inspiration for the right individuals. However, if you are looking for guidance on how to make your organization more effective and more valuable, I suggest you look elsewhere.

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