EXECUTIVE SUMMARY

German public hospitals face governmental and regulatory pressures to implement efficiency and effectiveness metrics, such as the classification of a Diagnosis Related Groups (DRG) system, by the year 2005. The current average patient stay of nine days in German hospitals is relatively high compared to France with 5.5 days and USA with 6.2 days. CRM will help increase customer satisfaction, loyalty and retention. Multiple case studies, including one German hospital compared to two Dutch hospitals, as well as interviews with the management of two additional German hospitals, reveal that no hospital currently has an integrated CRM system. Rather, separate organizational functions collect and store quantitative and qualitative patient data. Furthermore, the challenges of data sharing and data security are significant barriers for technological changes in hospitals. This study focuses on CRM in a modern German hospital as it realigns its processes and strategies in order to focus on efficiency and customer satisfaction in a very competitive market.

Keywords: customer relationship management; diagnosis related groups (DRG) system; German healthcare industry; hospital management strategy; information technology (IT) in hospitals

ORGANIZATIONAL BACKGROUND

The German healthcare industry is currently undergoing a major change due to the changing demographics of the German population and budget limitations. Due to the aging and/or retired German population, there is less money contributed to taxes. This is resulting in a substantial reduction in the allocation of funds to the healthcare sector. The current cost allocation system, that is, the generation contract, is put in question, and the public healthcare system is forced to charge more of its costs to its clients. The generation contract was the standard structure for the social security systems in many countries including Germany, where the following generation would provide funding for the previous generation. At present, deregulation, increased competition, cost pressures and
price reduction from the private hospitals are forcing the public hospital sector to introduce efficient economic processes and systems.

The introduction of the Diagnosis Related Group (DRG) calculation system by the German government requires hospitals to review their strategy in order to focus their communication on the patient of today and tomorrow. The DRG calculation system was initially a collaborative effort of insurance companies to establish a control system for payments for healthcare services provided. With the DRG calculation system, illnesses are categorized and acceptable treatments and standards, such as length of hospital stay, are determined. A fixed cost, or payment amount, is then assigned to each treatment or service. Insurance companies will only pay the specified amount for each service. The purpose of DRG is to provide complete patient care for a standardized disease pattern with a fixed budget. This system should also aid hospitals in meeting their budgets by reducing the length of a patient’s stay in the hospital, increasing productivity and using more cost-cutting technologies (Riedel, 2001). In these situations, hospitals need intelligent Customer Relationship Management (CRM) models that interface with the DRG system to help them acquire and “nurse” their customers — both domestic and foreign patients. The key motivator for CRM system implementation is the hospital administration’s realization that they have to be customer-oriented and cost-effective to survive the increased competition in the healthcare sector (MCC Health World, 2002).

CRM is an approach that focuses on the acquisition, development and, most importantly, retention of customer relationships through the collection of data and the sharing of this customer information across all areas of an organization. It encompasses both software applications and business strategies that anticipate, interpret, and respond to the needs of current and prospective customers. Access to collected customer information by employees from all areas of an organization provides a complete picture of the customer to everyone in the company and helps employees react to customer inquiries more efficiently. Handling customer requests with ease will increase customer satisfaction, resulting in customer loyalty and, ultimately, an increase in customer retention.

Customer/patient-centric orientation is being adopted by contemporary businesses/hospitals as a necessary condition for competing effectively in today’s marketplace. Despite the steady growth in number of worldwide installations and sales, not all is perfect in the world of CRM applications. Industry studies suggest that approximately 60% of CRM software installations are failures. CRM applications are prone to problems associated with lack of application flexibility that allows for customized integration and updating, and data management as a function of scale (Crosby and Johnson, 2000; Juki et al., 2002).

**Structure & Organization of this Manuscript**

This exploratory study is fundamentally based on E.M. Rogers’ theory of new product diffusion, also known as Diffusion of Innovation (DoI) (Rogers, 1983). The primary research objective of this study is to explore the diffusion and infusion of CRM systems in the hospital environment. Diffusion is defined as the extent of use of an innovation across people, projects, tasks or organizational units, while infusion is the extent to which an innovation’s features are used in a complete and sophisticated way.
Mobile Spatial Interaction and Mediated Social Navigation
www.igi-global.com/chapter/mobile-spatial-interaction-mediated-social/13953?camid=4v1a

Comparative Study of the Usefulness of Online Technologies in a Global Virtual Business Project Team Environment
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