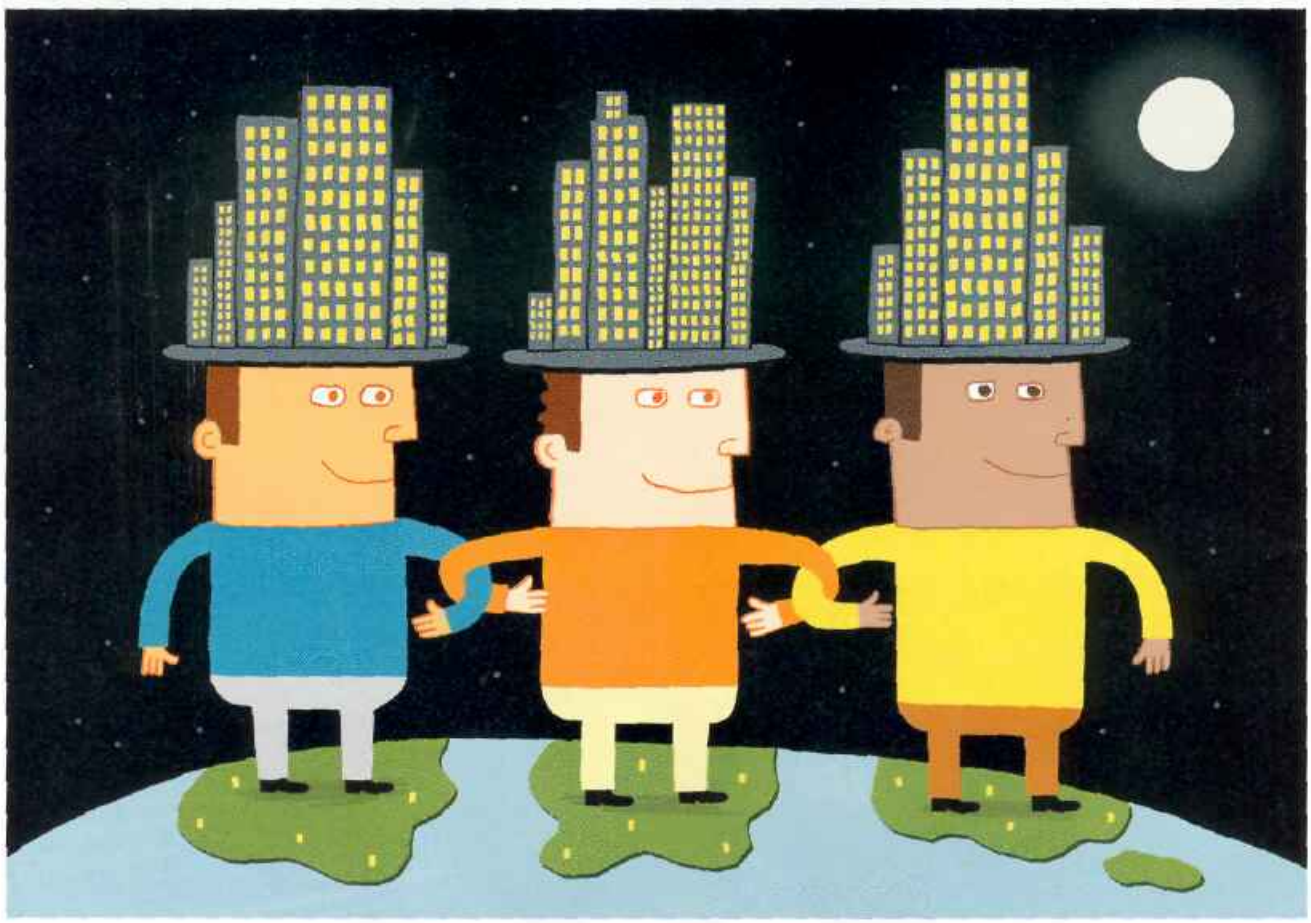
forethought

A survey of ideas, trends, people, and practices on the business horizon



GRIST

Megaregions: The Importance of Place

by Richard Florida

Nations have long been considered the fundamental economic units of the world, but that distinction no longer holds true. Today, the natural units -and engines - of the global economy are megaregions, cities and suburbs in powerful conurbations, at times spanning national borders, forming vast swaths of trade, transport, innovation, and talent.

The world economy is organized around a few dozen megaregions - areas like the Boston-New York-Washington corridor, or the Shanghai-Nanjing-Hangzhou triangle, or the span stretching from London through Leeds, Manchester, Liverpool, and into Birmingham - which account for the bulk of the globe's economic activity and innovation.

There is no single, comprehensive source for gauging the economic production of the world's megaregions, but a rough proxy is available. Tirn Gulden, a researcher at the University of Maryland's Center for International and Security Studies, used satellite images of the world at night to identify contiguous lighted regions. (Nighttime illumination

indicates energy consumption, which corresponds to economic activity.) He then calibrated the light data against existing estimates of national and regional economic output and was able to derive dollar estimates of annual economic productivity (the total value of goods and services produced) for every megaregion. I call this measure the *light-based regional product* or LRP.

Gulden argues that a megaregion must meet two criteria: First, it must be a contiguous lighted area that includes at least one major city center and its metropolitan region. Second, it must have an LRP of more than $100 billion. By this definition, there are 40 megaregions in the world. Home to 1.2 billion people - 18% of the global population - these regions combined produce about 66% of the world's economic activity and are the source of 86% of patented innovations.

Consider just a few of the conclusions we can draw from this analysis:

- It's misleading to conceive of the United States as a single national economy or even as 50 state economies. In reality, the U.S. economy is powered by roughly a dozen megaregions, the largest concentrated on the coasts, which stretch into Canada and in some cases Mexico. The Boston-NY-Washington corridor alone, with a population of 54 million people, has an LRP of $2.2 trillion and is bigger economically than France or the United Kingdom.
- The real economies of Europe are contained not in individual countries but rather in six or seven megaregions. Europe's largest megaregion is the enormous economic composite spanning Amsterdam and Rotterdam in the Netherlands, Ruhr and Cologne in Germany, Brussels and Antwerp in Belgium, and Lille in France. With a population of nearly 60 million people, and an LRP of $1.5 trillion, this megaregion's output is bigger than Canada's.
- Megaregions are playing an increasingly significant role in emerging economies around the world. Greater Mexico City is home to more than 45 million people and has an LRP of $290 billion, more than half of Mexico's total. The megaregion that stretches from Sao Paulo to Rio de Janeiro produces an LRP of $230 billion, over 40% of Brazil's LRP, and is home to 43 million people. Surrounding Delhi and Lahore is a megaregion enveloping some 122 million people - making it the world's single largest concentration of population -which generates a $110 billion LRP. And an extraordinary amount of economic activity flows from just three megaregions along China's eastern coast. The
- largest in terms of population is the Shanghai-Nanjmg-Hangzhoutriangle, with more than 66 million people and an LRP of $130 billion. Indeed, megaregions are the growth engines of emerging economies, even as the people living outside these regions toil in poverty and preindustrial conditions.

The rise of megaregions doesn't mean that globalization isn't real: The amalgamation of technology and trade leads to the dispersal and decentralization of economic activity. At the same time, however, the economic benefits of colocation -the concentration of similar kinds of productive and innovative activities in the same area - have spurred a strong countervailing tendency toward clustering. Writers like Thomas Friedman have overemphasized the centrifugal forces of globalization, arguing that the world is flat. In so doing, they neglect the equally powerful *centripetal forces* that trigger economic concentration. As Harvard Business School Professor Michael Porter told *BusinessWeek:* "The more things are mobile, the more decisive location becomes. This point has tripped up a lot of really smart people." Amen!

The mistake is to see globalization as an either-or proposition. It's not. The key to finding competitive advantage in this new economic landscape lies in understanding that the world is both flat and spiky: Economic activity is dispersing and concentrating at the same time.

When large numbers of entrepreneurs, financiers, engineers, designers, and other smart, creative people are constantly bumping into one another, innovative business ideas are formed, sharpened, executed, and expanded. The more smart people there are and the denser and more varied the connections among them, the faster a megaregion and its businesses and markets grow. When managers locate a plant or innovation center or target a new market, which country they choose will matter less than which megaregion.

Richard Florida (florida@rotman.utoronto.ca) is the director of the Martin Prosperity Institute and professor of business and creativity at the University of Toronto's Joseph L Rotrnan School of Management. His latest book, *Who's Your City?,* from which this article is developed, is due out this month from Basic Books

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WEB RETAILING

In E-Commerce, More Is More

by Andreas B. Eisingerich and Tobias Kretschmer

Many business leaders, disappointed by online sales growth, see Web consumers as disloyal and unwilling to spend. But that's because the managers are not exploiting what customers value most: engagement.

Online automobile shoppers want information about cars, yes, but they also want to learn about such other topics as travel, sports, apparel, and finance, our research shows. Online shoppers for upscale clothing might typically want information on art or even business.

Most firms limit their sites to providing narrow information about the products or services that are for sale. Indeed, the majority of managers we spoke to in our global study told us they believe that a broad array of information diverts attention from the core offerings. But we found it helps customers search for solutions, invites them to think of all the ways the core products might add value to their lives, wins their loyalty, and entices them to buy. In fact, we found that exploiting consumers' desire for engagement is the single dominant driver of superior shareholder value for e-commerce companies.

Our research involved an analysis of more than 1,700 e-commerce sites, along with interviews of 238 consumers and 112 managers in the United States, Europe, and Asia over four years. Some 57% of the managers were disappointed by their firms' online sales growth, but only 17% had a plan to change their sites to improve sales - an indication that they didn't even know how *to* start turning things around. Most believed that price was the only important way to attract online customers.

We scored the sites on the five practices that customers said they cared about most, and we found that a higher overall ranking on those practices is associated with greater company value, as measured by Tobin's Q, the ratio of market value to asset replacement value. In addition, the shares of the 25 companies with the highest-ranking sites outperformed the S&P 500 by two percentage points, on an annual basis, from 2003 through 2006.

Four of the practices are increasingly common and expected by consumers - without them, sites can't hope to keep buyers around long. They are: personalized shopping, clear categorization, order tracking, and m-depth product- or service-related information. It's the fifth practice - customer engagement through the provision of information on related products and services - that represents the most significant opportunity. A high ranking on this practice is a stronger predictor of the company's Tobin's Q than the rankings of any of the other four. The top 25 companies for customer engagement outperformed the S&P 500 by more than 12 percentage points, on an annual basis, throughout the period. Only about 23% of the sites in our sample made use of customer engagement practices.

Ralph Lauren's e-commerce site is a good example of how to engage users. Through the online "luxury lifestyle" *RL Magazine,* consumers are invited to regularly revisit the site to learn about fashion, art, sports, healthy diets, and business -facilitating brand attachments and associations that go beyond the core product. Corporate performance reflects the success of the e-commerce site: The firm's Tobin's Q increased from 1.6 in 2003 to 2.6 in 2006, and its stock price more than tripled from 2003 to 2007.

One very effective way for a company to start learning what its customers are interested in is to offer Web visitors a wide list of topics and ask them to vote on which they like. The firm can use those responses to help it decide which attributes-wealth, attractiveness, exclusivity, for instance - it wants customers

What Engages Online Shoppers Most

Of the five e-commerce practices that our research indicates customers care about most, only one – providing information on products and services related to the site's core offerings – strongly engages online shoppers and gets them to revisit a site.

Results are based on interviews with online customers, who were asked to rate their engagement on a seven-step scale. Higher engagement means customers are more "involved" and "connected" with – and feel a stronger "overall attraction" to – the company's core offerings. Likelihood to revisit is self-reported.

to associate with its brand, The next step is to provide supplementary information that will help customers make those associations. Porsche, for example, uses the Web to offer adventure tours and travel information, reinforcing the brand's image of passion and high performance.

Andreas B. Eisingerich (a.eisingench® imperial.ac.uk) is an assistant professor at Imperial College's Tanaka Business School in London and a research fellow at the Center for Global Innovation at the University of Southern California's Marshall School of Business in Los Angeles. Tobias Kretschmer (t.kretschmer@lmu.de) is the Deutsche Telekom Professor in Management and the director of the Institute for Communication Economics at Ludwig-Maximihans-University's Munich School of Management in Germany. Reprint F0803B

MARKET RESEARCH

Mining Unconscious Wisdom

by Ian Ayres

Polling crowds to gain insight about the future has become commonplace. The collective guess beats the informed individual almost every time - witness the Hollywood futures market and others like it. The true power of the crowd, however, isn't in individuals' consciously espoused knowledge and opinions. The essence is actually buried somewhere deep inside your company's database.

Tools for slicing and dicing customer stats are better these days because of innovative applications of research methods such as regression analysis and randomization. In addition, the technologies for storing, accessing, and distributing customer data are becoming cheaper and easier to use. This convergence of improvements has allowed some forward-thinking companies to finally take full advantage of the huge stores of information at their disposal. They're no longer letting their tapes collect dust; instead they are digging for dollars and "sense" in their databases. And they are finding compelling stories about customer segmentation and service - "unconscious wisdom" that the crowd itself may never have thought to share.

The dating service eHarmony, for instance, doesn't solicit your or others' opinions about your ideal mate; it tells you whom you will like based on your responses to a 436-question survey. The questions are geared toward figuring out your personality - are you an unconventional thinker, for instance, or a people pleaser? Using research data on successful marriages, eHarmony then suggests potential matches - sometimes pairing personality types that might, at first blush, seem incompatible.

Similarly, sites like Pandora and Rhapsody can make fairly accurate inferences about the music a customer will buy based on her historical purchase data and on a computerized parsing of song attributes: You're a fan of Arcade Fire? Here are some artists whose songs have the same characteristics as those in Arcade Fire's catalog -the use of orchestral arrangements in rock music, for instance.

The travel site Farecast mines terabytes of data not only to tell end users whether the time is right to buy a ticket for that flight to San Francisco - based on historical data about how fares behave - but also to gauge the precision of that advice. The site assesses the data and then offers its recommendations with, say, 85% confidence if the historical record is strong and, say, 60% confidence if the record is weaker. A 2007 external audit concluded that Farecast's overall rate of accuracy in predicting price trends was 75%. Asking

CORPORATE CULTURE

Rudeness and Its Noxious Effects

Grumpy managers who have a tendency to lash out are sometimes tolerated in businesses if their direct reports are thick-skinned types who don't complain about anything. But beware of more distant effects: It's likely that other employees are harmed by these incidents, even if they only hear about them secondhand.

The mere thought of being on the receiving end of verbal abuse hurts people's ability to perform complex tasks requiring creativity, flexibility, and memory recall, according to Christine Porath of the University of Southern California's Marshall School of Business and Amir Erez of the Warrington College of Business Administration at the University of Florida.

In studies involving separate groups of university students, the authors tested the effects of three forms of exposure to rudeness: In one study, the harsh words were directed at participants by a researcher ("What is it with you undergrads here?...[you] leave a lot to be desired as participants"). In another, the cutting remarks came from someone ostensibly outside the study - a professor whom the participants had to interrupt ("You preferred to disturb me.. .when you can clearly see that I am busy. I am not a secretary!"). In the third, the participants were asked to imagine that those incidents had happened to them.

In all three cases, participants' ability to perform tasks such as solving anagrams and suggesting uses for a brick was impaired. As for why this happened, the researchers say their studies indicate that after exposure to rudeness, people think hard about the incident - whether just ruminating or trying to formulate a response - and those thought processes take cognitive resources away from other tasks. As the authors put it in their recent Academy *of Management Journal* article, verbal abuse affects more than just those who experience it directly; it apparently "can harm innocent bystanders."

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the crowd whether it thinks the price will go up or down wouldn't be nearly as efficient or effective.

There's no doubting the critical role that crowd power has played in the evolution of markets, Still, we're just skimming the surface. By trolling for the unconscious wisdom in consumer data, companies are able not only to uncover useful patterns, segments, and influences, but also to peek into consumers' psyches.

Ian Ayres (ian.ayres@yale.edu) is the William K. Townsend Professor at Yale Law School in New Haven, Connecticut, and a cofounder of StickK.com. Also an econometrician, he is the author of *Super Crunchers: Why Thinking-by-Numbers Is the New Way to Be Smart* (Bantam, 2007).

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STORE OPERATIONS

The Hidden Risk in Cutting Retail Payroll

by Zeynep Ton

Managers of big retail stores have an opportunity to boost profits by maintaining or increasing staffing levels even when sales are slipping.

That idea will probably sound strange to store managers, who tend to cut staff hours if there's a dip in sales. Such cuts make perfect sense to the companies' executives, given that big retailers place great weight on hitting prescribed targets for payroll as a percentage of sales. Moreover, reducing payroll often has no immediate discernible effect on other major factors in managers' evaluations-typically, things like whether the store's appearance is attractive and the bathrooms are clean. So managers get very used to the idea that if sales drop, payroll must drop too.

But my research shows that increased staffing levels are associated with better execution behind the scenes in places like the back room and that stores with better execution in some of those out-of-the-way areas have higher profits.

I analyzed four years' worth of data from more than 250 stores of a large U.S. specialty retailer and interviewed more than 50 of the chain's employees, from frontline workers to the CEO- My findings at this company dovetailed with my previous extensive research on executing tasks in retail stores. I discovered that staffing levels tend to have the most pronounced effect on tasks that don't count for much in managers' evaluations. At the retailer, I looked at data relating to two such tasks: the percentage of items that were supposed to be on display but lingered in the back room and the percentage of poorly selling or obsolete goods that were supposed to be returned to the distribution center but remained in the stores.

I found that increasing levels of staffing improves performance of both. Furthermore, a one-standard-deviation performance improvement in the tasks was associated with increases in store profit margins - approximately 4% for replenishment and about 3% for returns to the distribution center.

By contrast, increasing labor had no effect on overall maintenance of the store environment - stores continued to look good and bathrooms continued to be cleaned, no matter what the staffing IRVR! Thfi implicationis That managers who cut staff in proportion to sales run the risk of hurting execution and thus financial performance.

How is a store manager to know how many hours of labor are needed to run the place well? Employee tardiness and absenteeism, variations in workers' speed and skill, and the vagaries of customer demand add up to a dizzying level of uncertainty for managers trying to staff their stores. But one approach managers can use is to track the performance of the tasks that are most likely to suffer from insufficient labor. For example, the company I researched could use the percentage of products not returned to the distribution center as a canary-in-the-mine early warning of understaffing. Another approach is to match the size of the staff to the estimated total workload. Forward-looking retail chains are beginning to use computerized scheduling systems to do just that. Such systems offer a promising alternative to corporate policies that place too great an emphasis on payroll as a fraction of sales.

Zeynep Ton (zton@hbs.edu) is an assistant professor at Harvard Business School in Boston.

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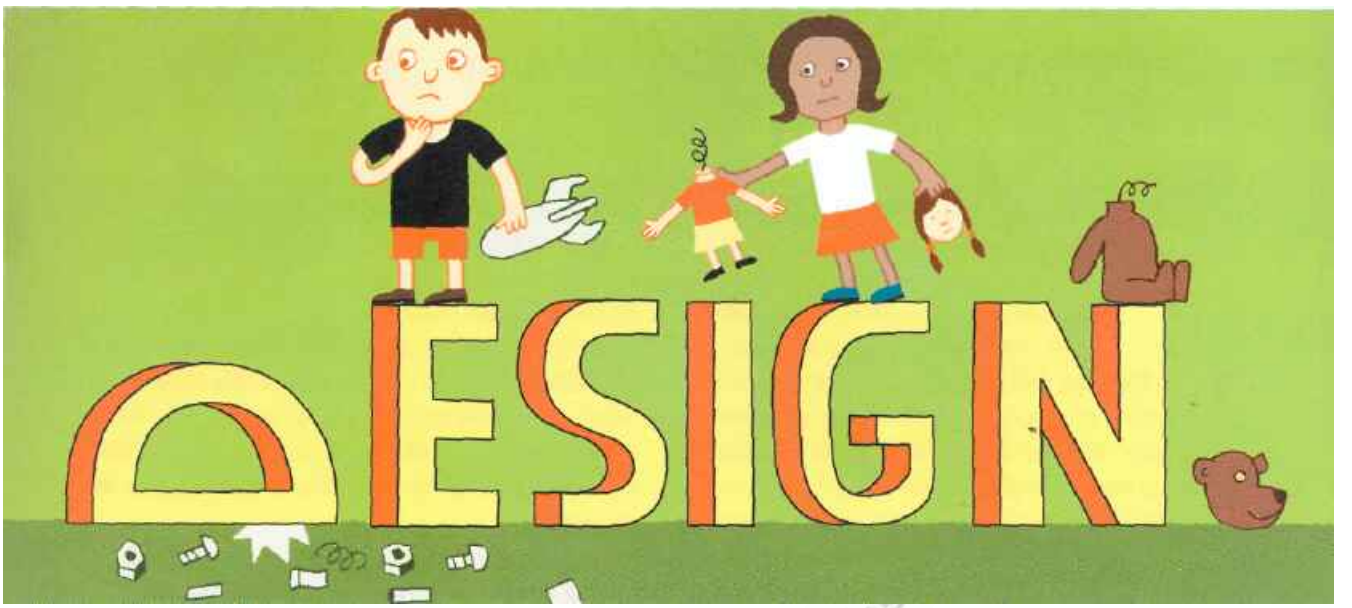

PRODUCT RECALLS

Avoid Hazardous Design Flaws

by Hari Bapuji and Paul W. Beamish

Although Chinese manufacturing sites produced many of the toys that have been recalled in recent years for safety flaws, the vast majority of those flaws came not from China but from companies in the United States and other developed nations. Problems with lead paint (which is a manufacturing flaw) aside, most errors that lead to recalls - not just of toys but of all kinds of consumer goods - are design mistakes. As such, they are the responsibility of the companies that drearn up the products in the first place. And these mistakes are highly preventable: Our study of U.S. toy recalls indicates that companies can do a much better job of learning to avoid them.

The trick is to treat potential errors just as seriously as the ones that have already been made and to learn from both types. Even companies that have never been responsible for harmful product flaws should be diligent about prevention because recalls can happen to any consumer-product maker.

it's understandable that China has figured prominently in the recent public discussion of toy recalls. After all, about 80% of the toys recalled in the United States in 2006 were manufactured there. But 68% of those 25 recalls were due to design flaws. The U.S. Consumer Product Safety Commission maintains a public list of the top consumer hazards and reasons for recalls. Flawed design - sharp edges, long strings, and small detachable parts, for example - has been the cause of three-quarters of all U.S. toy recalls since 1988. What's more, the same causes repeat year after year, even as the number of toys that have been taken off the market because of safety concerns has steadily increased.

Our research, which entailed a systematic study of some GOO U.S. toy recalls from 1988 through 2007, along with interviews of design engineers, manufacturing executives, and consumer advocates, suggests several steps companies can take to reduce design flaws.

First, firms should establish a learning culture in which employees feel safe reporting their concerns about design flaws and in which mistakes are not ignored. Such a culture begins with managers simply being receptive to employees' ideas and criticisms. Companies should also engage in *reactive* learning: Once a product flaw is discovered, the firm should examine and improve the systems and processes that contributed to it. In addition, companies should engage in the four major types of *proactive* learning:

Study competitors' recalls, overall recall trends, issues leading to recalls, regulators' comments, and even medical journals, which sometimes report health problems resulting from product use or misuse. A decade before the first recall in 2006 involving small magnets in toys, for instance, medical studies reported children rupturing their intestines after swallowing such items. Even after that recall, other companies, presumably unaware of the problem, continued to produce toys containing magnets.

Listen to design and test engineers, whose concerns are often downplayed or overlooked in the excitement of taking a new product to market. Graco, for example, produced a cradle in 1989 with nothing to prevent babies from sliding into a corner and suffocating, despite engineers' warnings, according to Maria Felcher's *It's No Accident* After several infant deaths, Graco recalled all 160,000 of the units sold.

Test effectively for safety issues. Too many toy companies rely on live humans to test product appeal but not safety features. While dummies are clearly appropriate in crash-testing car seats and the like, companies can spot potential dangers by having people use many products in realistic settings. At the least,

Conversation

Partners Community Healthcare's **Jennifer Daley, MD,** on getting CEO support for difficult tasks

When Jennifer Daley was asked to join the Dallas-based hospital chain Tenet Healthcare, she could see that she would face enormous obstacles. The company was under investigation for allegedly overbilling Medicare, making illegal payments to doctors, and performing unnecessary operations. Her job as senior vice president, for which she would commute from Boston, would be to lead a dramatic overhaul of quality and service, including removal of long-established doctors from Tenet hospitals. Daley has since become chief medical officer for Partners Community Healthcare back in Boston, to be closer to her adolescent children. She was recently honored with a Leadership Excellence Award, sponsored by the Vice Admiral James B. Stockdale Center for Ethical Leadership at the U.S. Naval Academy in Annapolis, Maryland, and *Harvard Business Review*. HBR asked her how she was able to make the difficult choices the Tenet job entailed.

At first, you didn't exactly jump at the opportunity to take on an overhaul of Tenet's clinical quality. Why not?

When CEO Trevor Fetter offered me the job, I felt strongly that I needed some reassurance about his and the company's commitment to promoting clinical quality and making the hard decisions that needed to be made. I told him there were two conditions for my taking the job. The first was that although I would report to him, I would work for the patients. The second was that I would think of every day at Tenet as my last. He was very shocked. He said, "What do you mean?" I told him I couldn't stay if the company or the hospitals compromised patient care or continued to perpetuate the kind of substandard care that had been found in a few places. I said, "If I find out about a problem like that and we don't remedy it, that's the day I will quit. There will be no discussion about it."

Were you concerned that such a statement might signal to the organization that you weren't committed to seeing through the changes you hoped to implement?

I would never have stood up in public and told people about my terms. My agreement with Trevor was private. He knew I was serious, and his support showed me he was serious about improving quality and safety and restoring confidence in the corporate and hospital boards – that he intended to make real changes in structure, process, and outcome. Once we understood each other, I could feel comfortable and empowered to make real changes and take on internal resistance to altering the status quo, with his support.

Having laid down the law, you did take the job. Can you describe the resistance you met?

Some people didn't believe that we needed to move aggressively to remove doctors from the hospital medical staffs who either provided substandard care, as measured by objective clinical standards, or were disruptive to the process of patient care. There were groups of people in the company who felt that I was overly zealous or had clinical standards that were too high. I later learned that a faction in the company referred to me as the "witch doctor."

Fortunately, the CEO completely supported me. I think that because I was clear about every day being my last, I was able to be more effective. I was beholden only to my strong personal and professional set of core values about patient care. Any job that I have in the future, that's the attitude I'm going to take toward it, because it gives me an incredible sense of personal freedom and integrity. The only thing you have in this world is your personal integrity – if you compromise it, you've lost everything.

How does a big company convey integrity all the way to the end user – in Tenet's or Partners' case, the patient?

A big health-care company typically has thousands of employees, from nurses to technicians to physicians to people who work in environmental services. The company's executives have to be models for them by leading with integrity, and we have to educate every single one of our employees and provide them with the resources – so that they can do the right thing every time.

–Andrew O'Connell

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such tests would guide companies in providing clearer instructions and warnings.

Track customer feedback to look for patterns that might reveal product flaws. In September 2007, one million Simplicity cribs were recalled because their drop rails detached and created a gap in which children could get stuck and asphyxiated. More than three years before that, however, several customers had alerted the company to the issue, but to no effect, according to a *Chicago Tribune* investigation.

Doing all this properly requires that companies buck the trend of downsizing design and testing departments. It also requires that teams be set up to monitor the vast amount of useful information out there, from recall data to customer complaints. And it requires that these teams be coordinated at the highest organizational level - by the executives with responsibility for looking, unflinchingly, at the big picture.

Hari Bapuji (bapuji@cc.um3nitoba.ca) is an assistant professor at the University of Manitoba's I.H. Asper School of Business in Winnipeg. Paul W. Beamish (pbeamish® ivey.uwo.ca) holds the Canada Research Chair in International Management at the Richard Ivey School of Business of the University of Western Ontario in London.

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DATA **EXCHANGE**

Fledgling Firms Offer Hope on Health Costs

by Julia Adler-Milstein and Ashish Jha, MD

A promising new type of health care organization is fallowing a path that, less than a decade ago, doomed an equally promising type of business-to-business firm. Despite that precedent, can these new entities, known as "regional health information organizations," survive? It's a question that is likely to have important consequences for the cost and quality of care in the United States.

There are a handful of well-established RHIOs -pronounced "REE-ohs" - in the U.S. and some 100 to 200 more in development. They meet a vital need; for patient-health information systems that talk to one another electronically. If patients go to a new medical office or wind up in an emergency room that's not part of their health network, typically the staff can get their records only via fax, phone, or postal mail -and only during regular business hours. This limitation can lead to deadly medical errors, unnecessary tests, and a layer of costs that the entire health industry could do without. A 2005 Rand Corporation study estimated that efficient exchange of medical records among doctors and hospitals in the U.S. would save $81 billion annually.

RHIOs provide physician practices, hospitals, labs, and radiology centers with a secure means of accessing and, sometimes, even updating patient data electronically. Approximately half of mature RHIOs got started with government seed grants or contracts, and their business models vary from prepaid membership to pay-per-click to no pay at all.

For the past four years, we've been looking into whether RHIOs are viable businesses, either as profit-making companies or as dot-orgs that can sustain themselves without grants or government funding. An ominous factor is the similarity of RHIOs to e-marketplaces, also known as B2B Web exchanges - intraindustry forums that were set up in the 1990s to connect businesses with new trading partners and provide venues for online transactions. These exchanges offered the promise of low transaction costs and a virtual market in which supply could be efficiently matched to demand. But few of the 700 exchanges ever hosted a single transaction, and fewer still survive today. Many of those consist of a single big company and its suppliers.

RHIOs face a number of the same obstacles that B2B exchanges were unable to overcome: Implementing an electronic information exchange requires a substantial up-front capital investment; it's often difficult, for a number of reasons, to persuade other organizations to sign on as members; it's tricky to make sure that confidential information goes only to the right recipients; and a lack of industry-wide technical standards impedes communication across information systems, In fact, data integration among disparate computer systems is often so difficult that most RHIOs settle for "system-to-eyeball" technologies, which merely present images of patient data rather than

fully incorporating the data into electronic records on the receiving end.

But health care delivery is much better suited to electronic interchange than many of the industries in which e-marketplaces failed, mainly owing to the large volume of very expensive manual transactions that would be replaced, Printing and mailing a radiological film can cost more than $150, and once it is received, routing it to its proper location in a patient's record can cost more than $50. Those costs essentially vanish when the transaction is handled electronically. And the savings from avoiding unnecessary tests can be significant. Thus, we believe there are viable business models for RHIOs focused on exchanging diagnostic results.

HealthBridge in Cincinnati is a good example of a self-sustaining nonprofit RHIO. Founded in 1997 with loans from hospitals and insurers, it electronically delivers lab results, radiology reports, and associated images to providers. Five health systems, comprising 17 hospitals, cover three-quarters of the budget through dues, with the rest of the money coming from fees for premium services. Physicians pay for their own internet connections and PCs, but their access to HealthBridge is free.

RHIOs are a peculiarly American creation. In the UK, the Netherlands, and other industrialized nations, governments implement, and pay for, electronic health information exchange. It's only in the United States that the dream of an interoperable medical-record system depends on fledgling organizations that may or may not become self-sustaining. But if they can capture even a small fraction of the estimated savings, RHIOs have the potential to attract significant capital and rapidly spread electronic exchange across the country, ultimately enabling critical health information to be shared nationwide.

Julia Adler-Milstein (jadlermilstein@hbs.edu) is a doctoral student at Harvard Business School in Boston. Ashish Jha, MD, (ajha@hsph.harvard.edu) is an assistant professor of health policy and management at Harvard School of Public Health in Boston.

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The Best Advice I Ever Got

Kris Gopalakrishnan
Cofounder and CEO, Infosys Technologies

As a child, I had loved science, to the point of performing my own experiments. While I wanted to study engineering, my parents – keen to see me join the professional ranks – convinced me that I should become a doctor, so after high school I started a two-year premed track. With little interest in biology and amidst the sudden freedom of university life, I began to slack off – and I didn't win a place to continue toward the full degree. In the Indian system, it was very difficult to change subjects midstream, and I had no idea what to do. Embarrassed, adrift, my confidence shaken, and with two years already sunk, I took what was available: I started an undergrad course in physics with a vague notion of becoming a researcher.

One of my physics teachers was a real character: a tough, hard-bitten, chain-smoking guy, clearly passionate about his subject, who had been terrifying students at our gigantic state university for years. Because of (rather than despite) his reputation, I went to him for tutoring. Between problem sets one day he stopped and said, "You don't need to worry. You're good at this, you enjoy it, and you're going to land on your own two feet. For now, just concentrate on your studies." Immediately after that, my grades shot up, and I ultimately became one of the best students at our college. I earned a place in India's top-ranked physics master's program and continued on for a computer science degree. After graduation, I went into the IT field, and a few years later cofounded Infosys, where I've been working ever since.

At one level, my professor's meaning was simple: Do what you love, work hard at it, and all will go well. But the specifics of his message, and the way he delivered it, go to the heart of every leader's toughest challenge – motivating people. I use his actions and his words as a model for spurring people on to superior performance. And I focus, just as he did, on three important things. First, I constantly seek ways to get my love for this business across. When I display enthusiasm, employees are more likely to listen to what I say and draw extra energy from mine. Second, in talking with employees, I seldom focus on numbers but instead on big ideas and their role. The prospect of earning a doctor's salary or achieving a certain grade point average didn't excite me, and I don't think that talking about revenue targets or market share projections will get people inspired. Instead, I try, just as my professor did, to help people imagine a future in which their unique contribution has an impact. Finally, I get people to focus on the future impact of how they manage the task at hand.

For example, a considerable part of our business comes from maintaining our clients' legacy business systems. Often employees say to me, "Kris, this is boring. The software was written 25 years ago. All I do is patch it." For me, this presents an opportunity to encourage employees to experiment and be creative. I try to get them to think beyond addressing the immediate task to how we may help this client be more competitive in a globalized world. They see I love thinking about the issue, they start thinking creatively, they imagine their work having a big impact – and they see the link between this future and what's right in front of them.

Today, Infosys is a $3.1 billion public company with over 80,000 employees. But my job remains the same as in 1981: to motivate one individual at a time.

– Interviewed by Daisy Wademan Dowling

Reprint F0803J

Fonte: Harvard Business Review, n. 3, p. 18-28, Mar. 2008.