Managing big bets: Dr. Ashwin Naik shares Vaatsalya experience

Held at Hotel Grand Mercure on July 6, 2012 as part of Next Gear workshop

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In the innovation leadership workshop I facilitated last month, we had a panel discussion on "Managing big bets". During this discussion we got an opportunity to listen to Dr. Ashwin Naik, CEO, Vaatsalya, Dr. Ishwar Parulkar, Chief Systems Architect, Cisco and Jayesh Badani, CEO, Ideaken.

Dr. Ashwin Naik (second from the left) is the Co-Founder and CEO of Vaatsalya, India's largest hospital network catering to tier-II and tier-III towns. Started in 2005, Vaatsalya hospitals today are in 17 towns in Karnataka and Andhra Pradesh. He shared his experience from starting of the itch to scaling the business and his guiding philosophy in working through the challenges. Here is a summary of our discussion with Ashwin. The questions came from the facilitator as well as from the participants.

Q: Where did the itch begin?

Ashwin: Whenever you speak to a founder or a co-founder, they will say that they had this "Aha!" moment. Unfortunately, I didn't have one. For me, it was a slow realization. There were two things that created the trigger.

I went to the US to study. When I visited India, one of the main agenda was to take my parents to a hospital for full check-up. My parents were in Dharwad, settled there after retirement. My plan was to come to Bangalore, stay here for a week during which they will come and get the check-up done. The fact that we had to come to Bangalore to do all this bothered me. That was the first trigger.

After my graduation at Houston, I worked at a company Celera Genomics. This company was doing something that is traditionally done by the government – sequencing the genome. It had taken government 15 years to do it. And this guy came up and said we will do it in 3 years. I realized that there is an opportunity of doing something faster, better in a corporate set-up. This was the second trigger.

I always wanted to come back to India. My expertise was in medicine. So I asked, "Let's start with what we can do to help our families". From that point it took us about 3 years to start the first hospital.

Q: Did you see it as a big bet right from the beginning?

Ashwin: When we started we didn't have a plan or an outcome in mind. I remember I put together a 1-page document. Thankfully, we are not doing any of that today. But it had the seed of what we are doing today. Many things changed. So I don't know if we can categorize it as a big bet.

Q: Did you visualize that you will be in 50 towns?

Ashwin: In our team we have people who always talk like this. I remember in 2005 February we had one hospital, and we were discussing what will happen if we had 100 hospitals. After the discussion we went for lunch and we started laughing at ourselves. We had one hospital (Hubli) which we were not able to run properly. But that back and forth (on visioning) was always there.

Q: What happened in the early phase – say in the first six months?

Ashwin: Both of us (co-founders) came from big company background. But we said we will focus on 3 or 4 things which would validate initial model. First one was if we open the doors, customers will walk in. Two, if they walk in they will pay for it. Third, we will have the type of doctors we want. We had specific criteria as to what kind of doctors we wanted. Fourth, we will be able to attract people to join us. Hubli is not a small place. However, when we started there was no other corporate healthcare chain. All hospitals were run by individual doctors. So how will you convince a doctor who is already running his clinic to join you? And then the customer going there for the last fifteen years to come to you? We said if we can crack these simple things in 2 years we would have made progress.

Q: Did the image of who your customer is undergo any change? If so, what change?

Ashwin: I can safely say that everything changed. Everything except, one, broadly the market – which we said were tier-II and tier-III town. Second, was the observation that nobody is doing anything like this in these towns, so there is an opportunity. We had decided to focus on something that is replicable. What is replicable in healthcare industry is very limited. We have short supply of doctors, we had issues with infrastructure and technology. So we decided to focus on secondary care involving gynaecology, paediatrics etc. So it was doing secondary care in small towns. That didn't change.

Initially we said these are the services that everybody uses. So everybody is our customer. Typical startup phase mentality. I think today we have a clear definition of who our customer is. We also know who the doctor is in terms of age, married or not, employment etc. In the first three years, we were able to figure out we can cater to 60% population of the towns we entered. Second thing we realized is that our customer is the middle 60%, not the top or the bottom. It took some effort, sometimes it came by luck. Somebody wanted to do a case study. They told us after analysis that this is our customer. We were not thinking about it that way.

Q: What kinds of attributes do you use today to define your customer?

Ashwin: One segment of our customer is usually self-employed or a government employee or a teacher. The other segment is farming families which is about 50% of our customers. But not the subsistence farmers. Farmers who are fairly well-to-do. Third segment is the insured customers.

Q: Why do you need to segment like this in healthcare? Like you said, why can't anybody be your customer?

Ashwin: It is in some sense built it into the design itself. When you start you don't realize it. For example, when we started in Hubli, we put glossy tiles on the floor. And then we realized that people don't enter if they see glossy tiles. You won't believe. Their feeling is, "This is going to be expensive. They are wasting money on unnecessary things." This is especially true for the non-insured customers who are very sensitive about the money they spend.

Then you say, "What kind of services do we provide?" Initially when we started we had one room per patient. Because that was our concept of good quality healthcare – something that has privacy. But we realized especially in places like Gadag where people prefer open spaces where they can talk to the neighbouring patients coming from surrounding villages. So your definition (of what is good quality) changes. Thus when we define the customer better it helps us design the type of services better.

Q: What would be a couple of turning points in this journey?

Ashwin: Since we knew we had to figure out a lot of things, initially our strategy was "shoot first and ask questions later". We did that a few times and failed. We realized a lot things we are doing are failing.

Take, for example, preventive care. Everybody talks about preventive care. It means going regularly for health check-ups so that you can detect any issue early in the lifecycle. We thought we will be the first one to do it in Hubli. People said – what kind of idiots are you? Here people are suffering from malaria / dengue and you are saying preventive care.

Second one was the glossy tile idea I mentioned earlier. Interestingly, today, we have glossy tiles in Hubli. But it wasn't a good idea when we started.

Two years down the line we set up two pilots, one hospital in Karwar and the other in Gadag. And we said we will try different models. Karwar was just a clinic and one or two services. Gadag was a full-fledged twenty bed hospital – biggest unit we had then. Gadag model turned out to be successful and we decided to replicate it in more places like Bijapur, Gulbarga etc.

Then we said – let's go south. When we came here we didn't find any real estate we could afford. It was very expensive. So we decided to campaign. We wrote letters to doctors – "Happy doctors day!" We got two calls – one was from Mandya and the other was from Hassan. They said, "I am so-and-so. I am a doctor and my children are not doctors. I have this hospital, do you want to take it over?" We realized that this is a fantastic model. We decided to call all doctors whose children are not doctors. We were targeting wrong real estate problem. Here is somebody with the hospital set up and everything and nobody to take over the practice. Now we only talk to people whose children are not doctors. It helped us scale rapidly. We signed with one hospital in Hassan overnight. It also gave us another big advantage. The doctor selling his hospital became our local ambassador. They introduced us to more people.

Q: You mentioned that in Hubli one of the challenges was getting local practitioners to join you. How did you work it out?

Ashwin: Our approach initially was that we need to have full time doctors if we have to maintain service quality. So we recruited young doctors meaning 2 years after MD/MS who relocated back to

Hubli. It was OK for sometime. Once we realized this other model of local champions we said we have to practice it. In Hubli, we have Dr. C. S. Patil. He was my teacher in college. He is practicing in Hubli over twenty years. He was the kind of doctor we wanted to associate ourselves with. It took us five years from the time we said, "let's get him". But we got him finally. But it is a huge challenge. In fact that is our biggest challenge – to convince a doctor to come and join us i.e. the right kind of doctor.

Just to put this in perspective – Like somebody said - When we talk to a startup company – it is like looking at a duck. Above the water it looks fine. But below it is doing – da-ga-da-ga-da-ga (flapping vigorously). So don't think everything is going well with us. Even in Hubli – we have been there for 7 years. But a lot of things have to change. There is a constant struggle to fix things. This part where you can reliably get doctors to join us is the biggest challenge. Sometimes we joke that we are in the business of relocating doctors. If you do that everything else is fine. But getting that person to move to a small town is difficult.

Q: What are your fears?

Ashwin: Are we getting in trouble somewhere? One is from the business perspective. But the second and a bigger fear is, "Are we doing injustice to the customer?" Whatever be the reason – you can't treat them or they can't afford to pay or employee doesn't behave in the right fasion. One saying we heard from Airtel CEO Sunil Bharti Mittal was – when speed conflicts with quality, always choose speed. That is our philosophy. We can always improve quality. Let's fix the speed part.

Q: Vaatsalya has innovated on the business model. But once the business model is established, does Vaatsalya have to innovate?

Ashwin: That was the thought going on in my mind. We are the least innovative industry. Stethoscope is about 200 years old and we are still using it. Pen and paper is the primary tool. Our biggest focus is on the process innovation. Any place we see a problem, we need to figure out how to do it faster, better, cheaper etc.

For example, when we took over a hospital in Mandya, there were already some thirty employees. Ideally when we take over a hospital – tomorrow the board should change and become Vaatsalaya. What does it take to get there? Today we have a 35 day cycle. We have put all our heart and mind getting that transition happen faster and better. That's where we have been reasonably innovative.

Q: How about innovation from the customer experience dimension – from the time customer enters to when he leaves after treatment?

Ashwin: Not very much. I think we might have done a few things. E.g. we might have done things on managing the waiting time period using technology. Today we use SMS based approach. Peculiar situation is our customer is traveling 35 km. So we have to factor in bus and train time. It is similar to the Tirupati token system. We have used that. I won't say we have done significant.

Q: Do you ever feel like quitting? How do you handle it?

Ashwin: This morning I felt that way! In retrospect we all come up with theory to justify what happened. For example, my theory is – there are four things which have to come together. One is purpose – why are you doing it? If your deal is to find a solution then it may not be that interesting. But if you say that my purpose is to challenge myself and find a solution, then that defines a lot of things. Second thing is belief. Earlier I used to trust that this *will* happen. Now, I have belief with a little bit of doubt. *Hoga, nahi hoga (*may happen, may not happen). But the belief is important. Sometimes that comes from other person who has done it. Third part which is very important is rhythm. Simple rhythms are quarterly review. Everybody starts thinking - this is happening regularly. If that rhythm is

not set, it doesn't sustain. For example, take running, if you run for 10 days, on the 11th day you will feel restless if you don't run. The fourth one very important is luck. That is something people don't acknowledge. But it is really important.

Q: In your case, it was getting that call from the doctor in Mandya, wasn't it?

Ashwin: Well, most of it is luck.

Q: I like the sequence in which you presented the four things. I don't know if you planned to put it that way. I am a firm believer that luck favours the prepared. You have to have the other three in place for luck to favour you.

Ashwin: Good point. I didn't think about it.

Q: What are your insights on building champions in the organization?

Ashwin: Whenever we have a challenge. And we don't have a big challenge. We have small challenges. For example, today our challenge is, "What is the ideal size of the bill we give it to the customer?" One, it has implication on the cost front. Second, it should be informative. We have identified a bunch of people who have completed certain number of years irrespective of their domain or background – customer service, housekeeping etc. We give that challenge to them. People come up with solutions. The authors of the selected solutions become champions for future projects.

Right now we are putting together a process where every customer will get a call within 2 hours of admission. Because we believe first few hours are critical. Getting that done is a major challenge. There has to be a back-office & a front-office etc. That is being run led by a person who is with us for 3 years and he doesn't have that background. He is a doctor.

Q: Suppose an idea comes from a housekeeping person – how do you ensure it is not getting killed?

Ashwin: We have a monthly employee open house. This month we had a good suggestion from a housekeeping person. He gets a certificate. His name will be in the newsletter.