Transformational Collaborative Outcomes Management

Managing the Business of Personal Change

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Dedicated to:
Gerald Stephen Lyons and Joan Praed Lyons
Your unconditional love and support and, yes, I will now admit, your structure and discipline, has helped me become the person I am. Wherever you both may be, I hope that makes you at least a little bit proud. Love forever, your son.

Preface and Acknowledgements

This book is the fourth in a series that has defined the primary work for my career. The first one, '*The Measurement and Management of Clinical Outcomes in Behavioral Health*', represented the initial organization of my thinking about outcomes management. At that point, my thinking was quite traditional. The experiences in the years between that initial book and '*Redressing the Emperor: improving our children's public behavioral health system*' radicalized me into believing that traditional approaches were a fool's journey. That evolution continued with the publication of the '*Communimetrics: A communication based theory of measurement for human service enterprises*'. If you read Italian, you will find that *Participazaione e Valutazione di Esito Nella Salute Mentale in Eta Evolutiva* is a precursor to the present text. My professional journey to date culminates with the present book.

Overall, this is my ninth book. Perhaps it will be my last; we shall see. Regardless, the moment gives me pause to think back across my life to identify all the people who have influenced my personal and professional development—the people who are reflected in the thinking behind the words on these pages. I think my work is defined in large part by the relationships that I have had over the years. There is no way I can do justice to the people who have inspired, guided, and challenged me along the way. Nevertheless, I will try.

Let me begin with my parents Gerald Stephen and Joan Praed Lyons to whom this book is dedicated. Although my views have evolved from theirs, they provided me with a loving and stable base and a worldview that valued hard work and humility that has served me well all these years. Do not expect to be given anything. Value only what you have earned. From my brothers and sister—Tom, Kathy, and Matt—I have learned a great deal. Tom, a scholar of entrepreneurship, was the first to expose me to the work of Gilmore and Pine that became the foundation of TCOM. Later in our careers, it has been fun to publish together. Kathy and Matt have taught me a great deal about resiliency, grace, and the value of a spiritual life.

Early teachers often do not get as much credit as they deserve. These educators certainly provide the foundation for learning for all of us. My grade school teachers were often my heroes. I remember Mrs. Hitchcock giving me a break on the question of whether I could tie my shoes in kindergarten. My high school teachers were often irritating Buddha's. That is on me, of course. I would not have traveled this road without the early pushing of Jim Simon, Grace Hines, and Coach Owensby. In college, Sally Bell Beck took up the torch and if she had not gotten in my grill, I would not be the person I am today. I certainly would not have chosen the path of clinical psychology without her somewhat tough love and the inspiration of who she was as a teacher, clinician, and person. My graduate studies were mentored and supported by Nancy Hirschberg Wiggins, Alexander Rosen, Leland Wilkinson, Rowell Huesmann, and Benjamin Kleinmuntz. They each assisted enormously in my intellectual and professional development and scholarship. During graduate school, my friends and colleagues—Richard McNally, Howard Garb, Debra Brief—provided both support and healthy competition. My postdoctoral fellowship with Donald Fiske and Benjamin Wright was inspiring and in many ways established the intellectual pursuit that has defined my career. Finally, Ken Howard, my early career mentor, guided me into my career as it stands today. My long-time friend and colleague Frits Huyse, M.D., has greatly influenced the course of my career and brought me many laughs and good times as well. I will always treasure the Fritsonian perspective.

During my career, I have had many colleagues who have influenced this work. Many are currently working in the TCOM field contributing and actively innovating. I am grateful to all and, frankly, worry about listing any to not slight to contributions of people who have made important contributions that I fail to mention. However, the contributions of some stand out so much that mention is required if I am to be honest with how much this text communicates the wisdom of others beyond the author. First among these is Lise Bisnaire, Ph.D. Lise first pushed me to develop a conceptual framework for the use of the measurement tools when I was writing '*Redressing the Emperor*'. She, along with Ken Howard, provided the encouragement I needed to differentiate the measurement approach into communimetrics.

She was the first to develop the TCOM grid of tactics. She was the first to describe the CANS as resulting from a conversation that arises out of the child and families story. Her role in the development of the TCOM conceptual framework cannot be overstated.

Gene Griffin, J.D., Ph.D. also has a central role in the development of TCOM. Gene's work in government provided the window to develop and test early version of the approach. First in the Mental Health Juvenile Justice Program and then at Illinois Department of Child and Family Services. Without this proving ground for the key experiences and concepts, it is unlikely that there would even be TCOM.

Nathaniel Israel, Ph.D., has contributed significantly to the intellectual foundation of the TCOM approach. More than anyone I know, Nathaniel's

commitment to effectively representing people in the process of care helps us move the model from the original Total Clinical to Transformational Collaborative Outcomes Management. His knowledge of systems theory and the critical role of collaboration was invaluable in evolving this work.

Over the past decade, but particularly in the past two years, April Fernando, Ph.D., an Associate Director at the Center for Innovation in Population Health (IPH), has taken over many of the activities that I have done for the past several decades. Her wisdom and perspective have been invaluable in advancing the work. Her embrace of TCOM and her ability to work with others to help them join our efforts have resulted in impressive growth in the reach of this work. In addition, she contributed most of the graphics in this book and was an invaluable editor of draft chapters both early and late. Thank you, April.

Mike Cull, Ph.D., the other IPH Center Associate Director, has contributed his calm wisdom, humility, and patient reserve to building an amazing collaborative of professionals committed to making work environments that are safe places to learn. His guidance and perspective are invaluable in building and expanding the work of the IPH Center and the TCOM collaborative.

The rest of the TCOM team at the IPH Center provides daily support and inspiration for the work. Michelle Fernando, the 'boss of us all', runs a tight ship that has created our opportunity to build a Center that can support the work broadly and effectively. The creativity of Josh Nellist, Mark Lardner, Diamond Darling, Brandon Howlett, and Zac Shoopman supports our reaching new audiences in innovative ways. The brilliance of Olga Vsevolozhskaya, Ph.D., and Elizabeth Riley, Ph.D., along with Kate Cordell, Ph.D., points to a bright future of using person- centered data to change how research is conducted and policy created in our field. Lynn Steiner and Lauren Schmidt Mergen both have been long-term supports at the very foundation of the work. The value of their dedicated efforts cannot be overstated. The same can be said for newer members of our team Elliot Bloomer, Michaela Voit, Joanne Trinkle, Cassandra Cooper, Laura Rogers, Nick Guerra, Tiffany Lindsey, Joy Dicus, Yahaira 'Ya' Yahuaca, Jordan Costantine, and Brian Turner.

Finally, there is the large and growing TCOM community. Betty Walton, Ph.D., was a founding member who has stayed central to the work over the past two decades. Patrick Gardner, J.D., is one of the smartest people I know and his commitment to seeing that governments do the right thing is unmatched. Thanks to Karen Bryant, Ken McGill, Barbara Dunn, Alison Krompf, Shahrukh Chishty, Scott Fairhurst, DeLacy Davis, Ph.D., Kim Hammock, Lisa Witchey, Paul Davis, Kristine Herman, Judy Howard, Candace Falsetti, Mark Zubaty, Elizabeth Kromrei, Richard Epstein, Ph.D., Purva Rawal, Ph.D., Scott Leon, Ph.D., Inger Burnett- Ziegler, Ph.D., John Vessey, Ph.D., Kristen Cerilli, Tim Fall, Karen Sik, Saw Han Quah, Antonella Costantino, MD, Stefano Benzoni, MD, Mark Kerr, Ph.D., among many others. A special thanks to Gertie Beaucage and Crystal Doolittle for patiently

teaching me about First Nations' culture and how to think about TCOM from a different cultural lens.

To all of these people and to the thousands of unnamed colleagues I offer you my profound thanks. Thank you for being a part of my life. Thank you for what you do on behalf of others. Thank you for working together to try to help make the world a little bit better place to live for people who ask for our help to change their lives in some way.

Lexington, USA John S. Lyons

About This Book

Transformational Collaborative Outcomes Management (TCOM) is a comprehensive, multi-level conceptual framework for system management and improvement. This book provides a comprehensive understanding of TCOM by using person-centered, collaborative processes for decision making.

The issue with current human services systems is that there is a lack of access to care and that the system is focused on providing services as cheaply as possible. TCOM focuses on helping the greatest number of people while maximizing effectiveness.

By fully understanding the nature of the business of helping, the author seeks to offer ways to create and sustain effective and positively evolving helping systems. He lays out a series of goal-directed social change processes which allow people at every level of a system to begin a shift towards transformational practice and the emergence of transformational systems.

Building on three decades of work in a large community of scholars and practitioners, this book will represent the first full description of the conceptual framework and will appeal to an interdisciplinary group of scholars across nonprofit management, healthcare management, and social work.

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About the Author

John S. Lyons is the founding Director of the Center for Innovation in Population Health and a Professor of Health Management and Policy in the College of Public Health at the University of Kentucky USA. He has dedicated his career to creating strategies that effectively represent under-represented populations in policy decision-making.

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CHAPTER 1

Understanding the Business of Personal Change

In the recent past, the sector dedicated to helping others has undergone significance turbulence. A series of circumstances has created an environment of rapid change. Factors ranging from increasing privatization to the explosion of knowledge to a focus on performance have all led to a dizzying array of system and program changes. Perhaps in no place have these pressures been more profound than in publicly funded helping systems.

Around the world, the public sector is comprised of compassionate and dedicated people who have made personal sacrifices for others. By choosing to help, they have likely passed on more potentially lucrative opportunities so that they can serve others. Many are individuals who are fully committed to doing everything in their power to help others. In addition, our knowledge with regard to what is and what is not helpful has grown exponentially. Striking progress over the past several decades has dramatically increased organizational effectiveness and systems improvement in a wide and diverse array of fields, including aviation (Cui & Li, 2015; Waikar & Nichols, 1997) automotive (Akamatsu et al., 2013), and package delivery (Dennis, 2011). Sadly, there is scant evidence of similar improvement in public helping systems (Pronovost et al., 2009). Systems such as community mental health and child welfare continue to report similar types and levels of challenges and shortcomings that were obvious decades ago (Gilbert et al., 2011). Many attribute this challenge to an overlapping set of problems including insufficient funding (Sciamanna & Ogletree, 2019), excessive regulatory and documentation requirements (Dragatsi et al., 2019), and challenges with workforce development (SAMHSA, 2020).

In this book, I propose that a central challenge of public sector human services has been that we have been managing the wrong business. Further,

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by fully understanding and embracing the nature of the business of helping, it is possible to reconfigure our approach to create and sustain effective and positively adapting helping systems.

R. Spencer Darling, the founder of the Chicago Leadership Institute, is famously credited with saying, 'All organizations (and systems) are designed, intentionally or unwittingly, to achieve precisely the results they get'. Therefore, if helping systems have remained stagnant at least in terms of their effectiveness, over the past few decades it suggests that there are characteristics in the design of these systems that perpetuate these unfortunate circumstances. Design flaws arise from a fundamental mismatch between the *process of helping* and the *business of helping*.

Dean Roger Martin (2004) argues that the moment calls for a shift in thinking. Rather than traditional industrial approaches to business management (i.e., people who need help are widgets who pass through a standardized process of helping), we need to learn and embrace *design* thinking. Design thinking involves an iterative process where we seek to understand the end user to identify alternative approaches and solutions that are not clearly understood currently. To achieve this shift, we move to the use of heuristics to guide thinking. Heuristics are a set of guidelines for solving problems (called 'mysteries' by Martin). He proposes three implications. First, design skills become merged with business skills. Second, a new model of business enterprise is required. Third, people managing business do not need to *understand* designers; they must *become* designers. This book embraces these three implications in rethinking the business of helping. The key skill of designers is to create tailored things that individual people want.

One of the most fundamental aspects of business management is that you must first understand the nature and purpose of the business. In other words, it is necessary first to understand what results the organization or system wishes to achieve (Blasé & Fixen, 2013). This understanding should serve as our foremost heuristic moving forward. For more than half a century, any entrepreneur starting a new business is told to define the goals of the business and then manage to those business objectives (Drucker, 1954). In order to manage successfully any enterprise, one would expect it to be an essential requirement that one understands the nature of that business.

If someone were to manage a restaurant as a way of employing their friends and family without paying attention to the quality, convenience, and price of the food, that restaurant is unlikely to be successful over the long term. The US auto industry almost destroyed itself by trying to manage the value of its stock when it should have been managing the quality and desirability of its automobiles (Murray & Schwartz, 2019).

This core principle has been given many labels—management by objective (Drucker, 1954), results-based management (Lawrie et al., 2005), performance-based management (Mettler & Rohner, 2009), and outcomes management (Lyons et al., 1997). There is nothing new or controversial about this statement. Business people have known it to be a fundamental truth of

business for centuries (c.f., Smith, 1776). In the creation of its approach to the management of the business of helping, shockingly the helping sector seems to have misunderstood its primary objective—*helping people to change their lives in some important way*. This misunderstanding has led to the helping sector managing the wrong business, thereby perpetuating helping systems that do not consistently and effectively help the people in need.

Given this premise, we must reformulate the foundational principles of how we manage the business of helping. We have made a fundamental error in terms of how we think about the management of this sector. We talk about human *services*. We talk about *services* for children and families. The list goes on and on—vocational services, housing services, educational services, mental health services, health services, and intensive community services. We organize and finance the systems that support these helping activities as if they were an array of services (Stroul et al., 2010). Many government and community agencies even have the word 'services' in their names. It is clear that the common perception is that the helping professions fall within the realm of what economists refer to as the human service sector. We think of it as part of the larger sector of our economy that we call the service industry. This is not true. Helping is not a service.

This definitional error applies to both how we talk about human services and how we manage the business of helping. Common definitions of human services all reference meeting needs of individuals and preventing undesirable things from happening (e.g., Wikipedia).

Despite this recognition, the majority of human services are managed by paying helpers to spend time with those that they are intending to help. Although there are trends to shift this reality through performance-based contracting and similar approaches (c.f., Martin, 2005), it is safe to say that the vast majority of the businesses we call human services involve a third party paying a helper to spend designated periods of time with the person or people they are attempting to help. Further, many of the current efforts at performance-based contracting define the parameters of performance within this same framework (e.g., length of stay or number of sessions as performance indicators).

The belief that helping people should be understood as a service is simply mistaken, and perpetuating this belief contributes to the undervaluing the work of helping. Helping people is not like any other service—a dry cleaner, or an auto mechanic, or a restaurant, for example. A service has been defined as a business in which you are paying someone to apply a product for you (Gilmore & Pine, 1999). For example, a dry cleaner will wash and iron your shirts and clean and press your skirt, dress, suit, or pants. Many people could do that for themselves, but sometimes people prefer to hire the dry cleaner because they perceive the professional as either being more effective or efficient in providing this service. Many people do those laundry tasks that they feel comfortable completing and reserve the use of dry cleaning to only the most complex cleaning challenges. An auto repair shop also provides a service.

Your car may be transformed but you are not. Most of us eat grains. We could grow and harvest the grain and make bread to eat. However, most of us do not subsist on what we grow ourselves. Instead, we hire the grocer to obtain and prepare food for us. It is more efficient; therefore, we happily purchase this service often without a second thought.

A restaurant is a clear model of a service. A restaurant seeks to make sure its customers get a satisfying meal at a price that the customer is willing to pay. The business theory is that those satisfied customers will return for additional meals and tell all their friends or contacts, by words of mouth or ratings and reviews on the Internet, about the restaurant. (Note: Of course, in tourist areas, the location of the restaurant may be more important than the quality of the food as return business is not a primary goal. In these circumstances, it is the location of the restaurant, and perhaps its 'aesthetic' or 'authenticity' to the local culture is what likely determines whether customers choose to dine.) Regardless of how customers are attracted, to be successful the restaurateur must figure out a way to create the meal at a cost that allows sufficient profit. The restauranteur has to understand how much customers are willing to pay and how many customers might choose to dine at that restaurant. That is, the restaurant owner will try to ensure that the cost of preparing and serving the meal is sufficiently less than the price that is charged for that meal to guarantee that the restaurant is profitable. The manager will try to make sure that the restaurant has enough tables for the busiest times and will try to keep those tables filled (e.g., through advertising, promotions, word of mouth, location, curb appeal). Of course, the restaurant owner does not want unused tables, as the costs of the space will reduce the profitability of this restaurant. Having too few tables is generally far less risk than having too many, although too few tables can lead to the opportunity cost of missed profits resulting from the inability to serve the full demand for that restaurant. That said some 'high end' restaurants use the difficulty patrons have in securing a reservation as evidence of the quality of the meal. The goal of the restauranteur is to make a profit on every table and to keep as many tables filled as quickly as possible. In this way, the restauranteur maximizes the marginal rate and frequency of return on their investment.

Sadly, this restaurant metaphor is precisely how we currently manage most human service enterprises most of the time. Though counts of persons served may be a metric of success for some programs that provide basic necessities (e.g., a soup kitchen, a shelter for homeless individuals), simple counts of persons served make little to no sense for other enterprises (e.g., an outpatient mental health clinic, a Head Start program, a substance abuse treatment program, a vocational rehabilitation program).

As an example, let us consider an outpatient mental health clinic. We staff our clinics to make sure there are enough therapists but not too many. Particularly in a fee-for-service environment, in which therapists are generally provided salaries with benefits by a community agency but paid (by a third party) only for the time they spend with clients, therapists engaging in other

activities, regardless of their clinical value, are seen as unproductive and can be major burden on the clinic. This reality is why most clinics have productivity standards for hours of billable services provided. Otherwise, it is ultimately disastrous if the clinic pays its staff's salaries, but those employees do not generate sufficient revenue to cover the full costs of those salaries. Thus, we try to manage caseloads so that the therapists stay sufficiently busy with hours that are billable. Alternatively, clinics do not provide salary and benefits and only pay therapists based on the number of hours they spend in billable time with their clients.

Depending on precisely how the clinic is funded, that clinic may benefit from having a waiting list to document the value of their service (i.e., 'our service is so good that people are waiting to engage and receive it'). In many jurisdictions, for example, providers invariably point to their waiting lists as evidence for a need for new investment. In this current paradigm, the fact that you have wait list and, potentially, the length of your wait list, becomes the metric of desirability. In such a scenario, if you do not have a wait list you may be at a competitive disadvantage. Your resources may be re-directed to address somebody else's wait list. For example, in the early 2000s spending on mental health services in one jurisdiction was cut to reduce the wait list for hip replacements (Davidson, 2010). In a meeting with a program manager, she described a parallel occurrence. When she was promoted to manage the program, everyone pointed to the wait list as a major problem. Over the first few months, she diligently worked to shorten the list, to the point of eliminating the wait for services altogether. Children and families could finally get the services they needed when they needed them, meeting the program's goal for access to care. Shortly after her wait list was eliminated, her supervisor reassigned several of her staff to other programs for other purposes. When she protested, the supervisor responded that she obviously did not need the staff as badly as other programs who still had wait lists. Her response: 'I learned my lesson. I will always have a wait list'.

Service systems, when they are managed like restaurants often create dynamics that can undermine effective management and, in fact, have the potential to harm clients. We are left to wonder whether a single therapy session is equally effective over the course of a day of work. After already seeing six people, it is reasonable to wonder whether the seventh person was well served. The therapist may not even clearly remember one session to the next for an individual client if they provide 30 sessions in a week. Even if they could, are all clients the same and is it reasonable to wonder whether they benefit equally from the time, their therapists spend with them? When we first began to teach therapists in Alabama on our person-centered assessment approach, one well-established therapist said that this was fine but she had 320 clients and there is no way that she had sufficient time to do a complete assessment process. My response was twofold—first, she was not a 'therapist' because there is no way anyone can provide simultaneous psychotherapeutic interventions to that many people; she may have been doing something with

her clients but it was not therapy. And second, this circumstance is why she needed a comprehensive and holistic assessment and documentation process, because there is no way she could possibly remember the assessment details of that many people when she could clearly only see them once each month, at best.

When we began our work with the children's system in Illinois, I found a clinic provider in a particularly disadvantaged neighborhood who treated their mental health outpatient care exactly like a drop-in health clinic. If a person wanted to talk to someone, they had to come to the clinic that day and waited to talk to the next available therapist. If this was a return visit, it may or may not have been the same therapist that the person had seen on their prior visits. The reason the clinic implemented this model is that they had a high 'no show' rate and it was difficult for therapists to meet their productivity standards. By using the drop-in clinic model, therapists could maximize their billable hours. In this example, the successful business model fundamentally corrupted any known and reasonable clinical model for outpatient mental health care.

Most financial and regulatory aspects of each helping system and much of our current language reinforce the concept among the helping professions that it is a system intended to provide services. However, it is not. Actually, the vast majority of the system is engaged in the business of helping people change their lives in some important way.

The primary business objective of any helping system (and the entire helping sector writ large) is to engage in processes and interventions with the intention of helping people become healthier, more effective versions of themselves. Gilmore and Pine (1999) have called this type of business a *transformational offering*. The majority—although not all—of helping enterprises are intended to be transformational offerings. The distinction between a service and a transformational offering from a business management perspective is dramatic. The business objective shifts the focus from investing time with people to helping people change their lives in some important way. That shift in business objectives has far-reaching implications, both large and small, for the design and management of helping systems.

Let us return to the restaurant metaphor. As described above, the primary reason a restaurant exists is to sell profitable meals. All business decisions are intended to balance the different considerations with regard to how the restaurant seeks to achieve its primary goals of selling meals. Success is a simple result of that basic fact. If a restaurant sells a sufficient number of meals at a profit, that restaurant will be a successful restaurant. The same is not true of most helping enterprises. A successful doctor should not be the one who can do the most procedures or see the most patients in the shortest period. A successful family therapist certainly should not be the one who sees the largest number of couples, regardless of that therapist's impact on the health of those couples' relationships.

Historically, it has been argued that the goal of helping enterprises is also to get people to utilize available help and keep them engaged. This argument is

couched as a challenge of 'access to care'. However, access is simply an initial goal, a first step to actually helping. Once access has been achieved and people are engaged, the primary goal of helping enterprises is to help people change their lives in some important way. There is no point in accessing something that has no value. It is not just selling time spent with people. Rather, the system is selling personal change processes: changes that have an impact on the person's life—perhaps lower weight or blood pressure or reduced blood sugars, or less reliance on alcohol or drugs, or greater levels of well-being. These types of goals involving personal change are much more challenging to achieve than simply maximizing or optimizing the utilization of services. As such, interventions whose primary purpose is helping people change their lives are far more difficult to organize, finance, and manage. Perhaps as an unintended consequence of the difficulty of managing transformational offerings, we have drifted into the easier course of pretending that we are successful in changing people's lives as long as they come initially and are happy to come again—just like a restaurant!

The implications of running the helping system as if it were a human service system are enormous. If systems designed to provide help to others are ever going to evolve into successful systems, the first step is to understand the full implications of the shift from a service system to one that focuses on personal change. The genesis of this book was stimulated by work that has evolved out of a brief article written by two economists, who organized a description of types of businesses into a list that was ordered by difficulty of their management. They called this list the 'Hierarchy of Offerings' (Gilmore & Pine, 1999). We have already discussed two of these offerings; however, for context, it is useful to review all possible types of businesses according to their conceptualization.

The Hierarchy of Offerings

Gilmore and Pine (1999) described five basic types of businesses or 'offerings' to consumers. The authors ordered them in a hierarchy based on the challenges of managing these types of business (Fig. 1.1). The first business type describes the easiest marketplaces to manage and each successive business type becomes increasingly more difficult to manage.

They specify the hierarchy of offerings as follows:

Commodities

This type of business is the marketplace of raw materials—crude oil, minerals, grain, livestock, fruits, and vegetables. Commodities are the foundation of every economy. People need energy to produce and to transport things that are produced to market. People need food to eat. The raw materials to serve these needs are the staple of many of the most powerful economies on earth. Although not necessarily simple, commodity-based businesses are relatively

Fig. 1.1 The Hierarchy of Offerings from the most complex markets to manage (to the easiest. *Source* Praed Foundation, 2021)

simple operations compared to any other type of business, in that they only involve the extraction or harvesting of a raw material. While logistics of a commodities business can be complex, relative to other market offerings this business type is the most straightforward.

Clearly helping does not fit as a commodity marketplace. I have talked to people who describe people being treated as if they were commodities in some helping programs. For example, both day treatment programs and residential treatment centers have been accused of admitting and keeping individuals who are not benefitting from the care provided just to make the business model work. Hospitals who admit low-risk patients to ensure that they maintain a sufficiently high 'bed census' could be accused of treating some patients as commodities.

Luckily, this is a rare occurrence across the entire helping sector. However, consistent anecdotal evidence across years of experience suggests that it does happen. The perception that this can happen sours trust relationships between payors and providers in some sectors.

Products

One can take a commodity and produce something that is intended for direct consumption. The output of this production process is called a product. Crude oil is a commodity; gasoline is a product. Rice is a commodity; Rice Krispies is a product. The multiple steps it takes to convert commodities into products complicate the management of product production. Not only do raw materials (i.e., commodities) have to be acquired, but also a product has to be designed. That design must be accomplished with consideration to a target market for the product. Once designed, the product must be produced and then marketed, transported, and sold to persons with varied willingness to use, or need for, the product. This set of complex contingencies makes product generation and product-focused businesses more difficult to manage than business focused on the extraction or harvesting of a commodity. The relationship between the cost of the commodity (its core value) and the price

people are willing to pay for the product (its perceived value) is influenced by many different intervening contingencies.

Services

As discussed above, a service is defined as when you hire someone to apply a product for you. Common examples of services would be dry cleaners, salons and spas, retail stores, home repair, and, of course, restaurants. A service is an activity that we *could* do for ourselves. However, people who specialize in doing that activity become far more efficient and/or effective at it than anyone in the general population does. In this way, it becomes more efficient and/or effective to invest in the service rather than attempting to do the same activity for oneself. That is why services are sometimes seen as conveniences: not necessary, but desirable.

A subset of services might be commonly identified as necessary as our daily living grows increasingly complicated. Getting a driver's license, for example, is a service, but it is not something that one can do for oneself. Of course, you can drive an automobile without a driver's license but that would be illegal in most current cultures. A homeless shelter is another example of the types of services that have business characteristics of a service. Temporary housing supports are provided but there is often no effort to change the person's housing status permanently. If a homeless shelter program were to be extended to allow this focus on changing the homeless person's housing status in a permanent way, then it would no longer be a service.

Experiences

These offerings refer to the sale of desired activities that become memories. They go beyond simply applying a product into creating a period of time that people remember as fun or meaningful. Going to a concert or the theater would be an experience.

Taking your children to a theme park would be an experience. These would all be examples of common experiences.

Interestingly, Pine and Gilmore (2011) recommend that some service providers should attempt to package and market themselves more as experiences. A high-end restaurant, for example, might be managed more as an experience than a service: the ambiance of the restaurant; the attentiveness of the wait staff; the taste of the food; and the selection of wines through consultation with a *sommelier*. All of these things are done to make the dining more than just a convenient way to get food. Dining then becomes a memorable experience. Some high-end retail stores might be run as experiences (e.g., personal shoppers in some clothing or interior design stores, the special room to watch TV or listen to speakers in an electronics store) rather than services. The idea of this business approach is that people will spend more on a product or a service if it is delivered in a way that is pleasant and memorable.