

# **HITTING THE MARK:**

ACHIEVING SUCCESS THROUGH HIGH QUALITY SERVICES  
AND FINANCIAL SUSTAINABILITY

TRACK 2: ORGANIZATIONAL AND FINANCIAL STABILITY

## **Workshop 2: Options for Long-term Organizational Structures**

Bram B. Briggance, PhD

Buffalo, NY  
November 12, 2013

Syracuse, NY  
November 13, 2013

# OVERVIEW

- A Few Observations
- Assessing Organizational Needs: **Inside-Out**  
**Tool #1** Business Model Canvas
- Assessing Organizational Needs: **Outside-In**  
**Tool #2** Ecosystem Map
- Discussion



# OUTCOMES

- Two distinct ways to **assess needs** and **opportunities** for changing organizational structure
- **Two tools** to gauge the dynamic impacts strategic choices
- A chance to perform a preliminary “**stress-test**” for one key **organizational change**
- **Shared-learning** with peers

# OBSERVATIONS



# IS HEALTH CARE A TRUE MARKET?

## Market dynamics assume:

- Self-interest
- Rationality

## True markets require:

- No transaction costs
- Commodities sold only on price
- All providers and maximally efficient
- Insurance available for any risk
- All transactions price-based (auction)

*“...incredibly smart people in unbelievably simple situations...[vs.]...believably simple people with incredibly complex situations.”--Axel Leijonhufvud*

*Eric Beinhocker; The Origin of Wealth*

# IS HEALTH CARE A TRUE MARKET?

No Price  
Transparency  
No Cost Transparency  
Adverse Selection  
Derived Demand  
Principal-Agent Costs  
Uncertainty

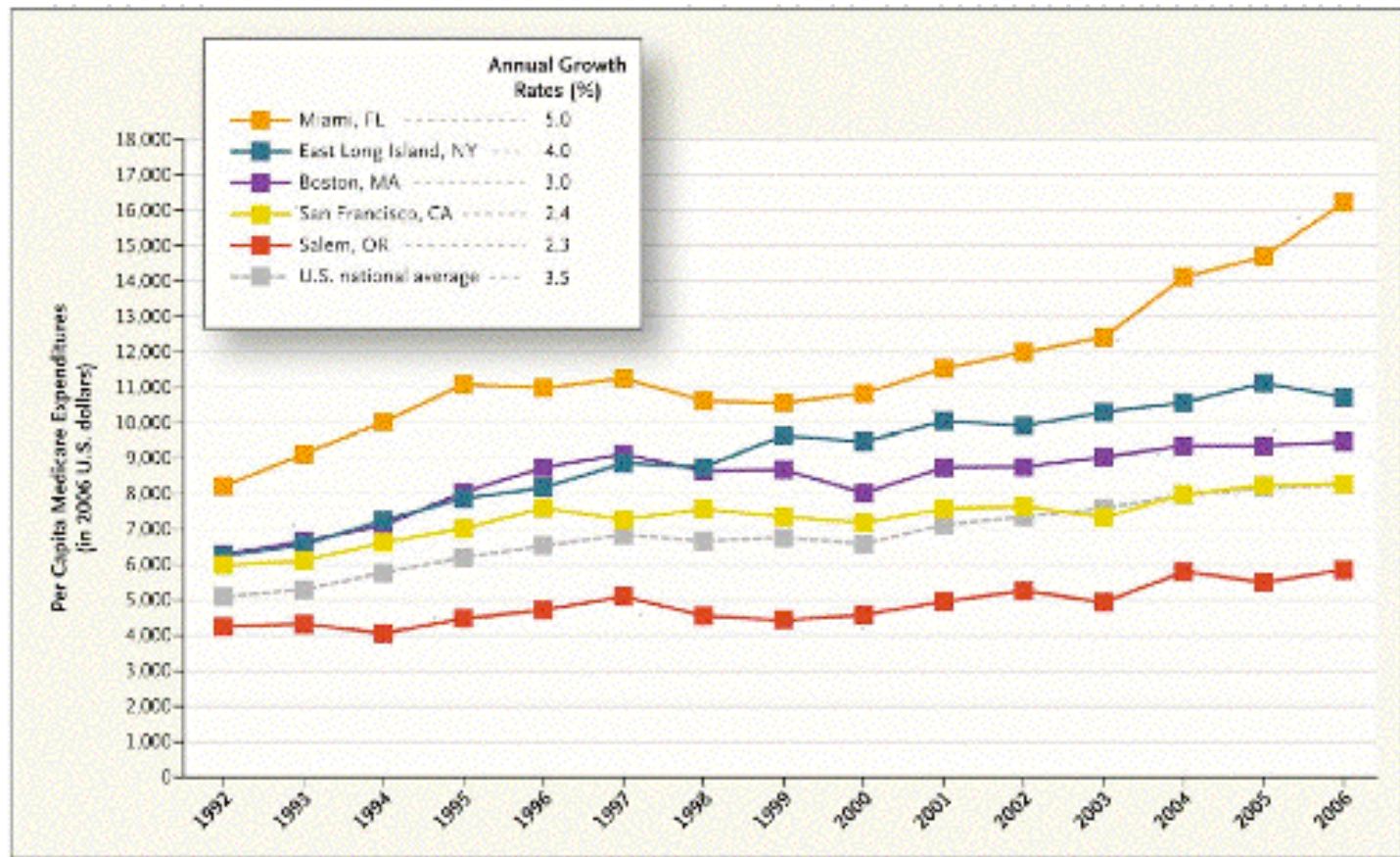
Moral Hazard  
Externalities  
Principal-Agent Costs  
Consolidation Trends

Information Asymmetry  
Even Production Technology  
Monopoly Price-setting  
Third-Party Agents  
Barriers to Entry & Exit  
Demand-Inducements  
Practice Variations

*“Our health care is a system. It’s awfully hard to shop for a system.” -- Jay Ogilvy*



# “BENDING THE COST CURVE”



Slowing the Growth of Health Care Costs — Lessons from Regional Variation;

*Elliott S. Fisher, M.D., M.P.H., Julie P. Bynum, M.D., M.P.H., and Jonathan S. Skinner, Ph.D.* NEJM Volume 360:849-852; February 29, 2009; Number 9

# “Bending the Cost Curve”

## SMALL CHANGES--ENORMOUS IMPACT

- At current annual growth in per capita spending from 3.5% (the national average) by 2023 Medicare will be **\$660 billion in debt**
- At 2.4% (the current rate in San Francisco) by 2023 Medicare will have **positive** balance of \$758 billion (cumulative savings of \$1.42 trillion)

### **Slowing the Growth of Health Care Costs — Lessons from Regional Variation;**

*Elliott S. Fisher, M.D., M.P.H., Julie P. Bynum, M.D., M.P.H., and Jonathan S. Skinner, Ph.D.* NEJM Volume 360:849-852; February 29, 2009; Number 9



# TRANSITION DYNAMICS IN HEALTH CARE

(CAN OUR CURRENT MODELS SURVIVE?)

**COST UNAWARE** ----- **COST ACCOUNTABLE**  
**TECHNOLOGICALLY DRIVEN** --- **HUMANELY BALANCED**  
**INSTITUTION BASED** ----- **COMMUNITY FOCUSED**  
**PROFESSIONAL**----- **MANAGERIAL**  
**INDIVIDUAL** ----- **POPULATION**  
**ACUTE** ----- **CHRONIC**  
**TREATMENT** ----- **MANAGEMENT/PREVENTION**  
**INDIVIDUAL PROVIDER** ----- **TEAM**  
**COMPETITION** ----- **COOPERATION**  
**DISAGGREGATED**----- **INTEGRATED**

Source: Pew Health Professions Commission

# CONTEXT

- The “market” will not save us.
- Small changes can have huge impacts.
- By applying a business-strategy lens to organizational need, health leaders can reconfigure many of their challenges into solvable problems
- “Good business practices” are not a separate science, they are usually the result of clear thinking & leadership



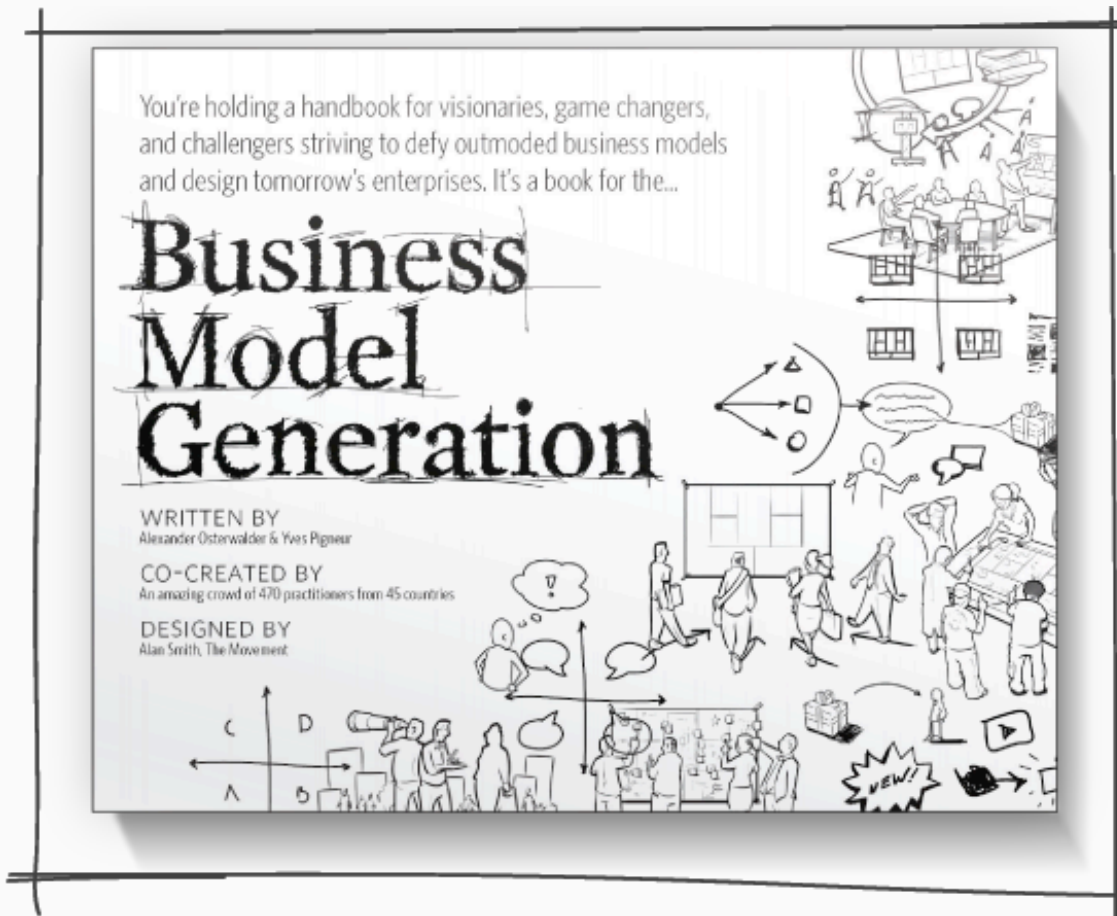
Assessing Organizational Needs  
from the

**Inside-Out**

**Tool #1 Business Model Canvas**

# BUSINESS MODEL CANVAS --

A “META-FRAMEWORK” FOR ANALYSIS



Source: [businessmodelgeneration.com](http://businessmodelgeneration.com)



# The Business Model Canvas

Designed for

Designed by

Date

Description

<b>Key Partners</b> Who are your partners? Who are your suppliers? Who are your distributors? Who are your co-branding partners? Who are your channels? Who are your alliances? Who are your networks?	<b>Key Activities</b> What key activities do you perform to make your business model work? What key activities do you perform to create value? What key activities do you perform to deliver value? What key activities do you perform to capture value? What key activities do you perform to maintain value?	<b>Value Propositions</b> What value do you create for your customer? What value do you create for your customer? What value do you create for your customer? What value do you create for your customer? What value do you create for your customer?	<b>Customer Relationships</b> What type of relationship do you want to build with your customer? What type of relationship do you want to build with your customer? What type of relationship do you want to build with your customer? What type of relationship do you want to build with your customer? What type of relationship do you want to build with your customer?	<b>Customer Segments</b> To whom are you creating value? To whom are you creating value? To whom are you creating value? To whom are you creating value? To whom are you creating value?
	<b>Key Resources</b> What key resources do you need to make your business model work? What key resources do you need to make your business model work? What key resources do you need to make your business model work? What key resources do you need to make your business model work? What key resources do you need to make your business model work?		<b>Channels</b> Through what channels do you want to reach your customer segments? Through what channels do you want to reach your customer segments? Through what channels do you want to reach your customer segments? Through what channels do you want to reach your customer segments? Through what channels do you want to reach your customer segments?	
<b>Cost Structure</b> What are the most important costs in your business model? What are the most important costs in your business model? What are the most important costs in your business model? What are the most important costs in your business model? What are the most important costs in your business model?			<b>Revenue Streams</b> How are you creating value for your customer? How are you creating value for your customer? How are you creating value for your customer? How are you creating value for your customer? How are you creating value for your customer?	

www.businessmodelgeneration.com

Business Model Generation: How to Test, Adapt, and Profit from New Business Ideas  
Copyright © 2011 by Jason Alderson and Alexander Osterwalder  
www.businessmodelgeneration.com ISBN 978-0-09-191612-1

Note: All BMC content within this document is taken directly from the book, **Business Model Generation**, authored by Osterwalder and Pigneur

# WHAT IS A BUSINESS MODEL?

A Business model describes the way an organization intends to make money by creating value.



# WHAT IS THE BUSINESS MODEL CANVAS?

- ◆ a strategic management template for developing new or documenting existing business models
- ◆ a visual chart with elements describing a firm's value proposition, infrastructure, customers, and finances
- ◆ it assists firms in aligning their activities by illustrating potential trade-offs

# THE BUSINESS MODEL CANVAS





# STEP I

- Customer Segments
- Customer Relationships

# CUSTOMER SEGMENTS

Who are our primary customers?  
(For whom are we creating value?)



# CUSTOMER RELATIONSHIPS

- What type of relationships do we have with our customers? (e.g., one-time service? long-term contract? formal membership? self-service?)
- What do we do to maintain the customer relationship?

# STEP 2

- Value Proposition
- Channels



# WHAT IS A VALUE PROPOSITION?

“A promise of value to be delivered and a belief from the customer that value will be experienced. A value proposition can apply to an entire organization, or parts thereof, or customer accounts, or products or services.”

--Osterwalder and Pigneur

# VALUE PROPOSITION

- What value do we deliver to customers?
- What is the problem are we helping our customer to solve?
- Which customer needs are we satisfying?
- What bundle of products and services are we offering to each segment?



# CHANNELS

- Through which channels do our customer segments want to be reached?
- Which ones work best?
- Which ones are most cost-effective?
- How are we integrating them with customer routines?

# STEP 3

- Key Resources
- Key Activities
- Key Partners



# KEY RESOURCES

What key resources are required to maintain our:

- Value propositions?
- Customer relationships?
- Distribution channels?
- Revenue streams?

# KEY ACTIVITIES

What key activities are required to maintain our:

- Value propositions?
- Customer relationships?
- Distribution channels?
- Revenue streams?



# KEY PARTNERS

- Who are our key partners?
- Which key resources are we requiring from partners?
- Who are our key suppliers?
- Which key activities are we requiring from our suppliers?

# STEP 4

- Revenue streams
- Cost structure



# REVENUE STREAMS

- For what value are our customers willing to pay?
- For what do they currently pay?
- How are they currently paying?
- How much does each revenue stream contribute to overall revenues?

# COST STRUCTURE

- What are the most important costs inherent in our business model?
- Which key resources and key activities are most expensive?



# WHEN CAN YOU USE THE BUSINESS MODEL CANVAS?

- Starting a project – what do we know?
- To diagram current state vs. future state
- Workshop tool for gaining alignment/clarity with teams, partners, and clients
- In preparation for business conversations with colleagues, prospective partners, or funders

# DISCUSSION



Assessing Organizational Needs  
from the

**Outside-In**

**Tool #1 Ecosystem Map**

# ECOSYSTEM MAP

- **Stakeholder**

Which organizations or group are affected by the change?

- **Stakeholder's Interests or Needs**

Why do they care?

- **Potential Benefits to Stakeholder**

What's in it for them?

- **Potential Loses or Risks for the Stakeholder**

What do they have to loose?

- **Engagement Actions**

What concrete steps can I take to engage this stakeholder?



# WHEN CAN YOU USE THE ECOSYSTEM MAP?

- Exploring new partnerships – who's interested?
- To gauge potential external resistance to changes your organization is making
- Workshop tool for gaining alignment/clarity with teams, partners, and clients

# DISCUSSION

(Thank you.)

Bram Briggance, PhD

Briggance Consulting  
[bbb@briggance.com](mailto:bbb@briggance.com)