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

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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
"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;

“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;
TRANSITION DYNAMICS IN HEALTH CARE
(CAN OUR CURRENT MODELS SURVIVE?)

COST UNAWARE

TECHNOLOGICALLY DRIVEN

INSTITUTION BASED

PROFESSIONAL

INDIVIDUAL

ACUTE

TREATMENT

INDIVIDUAL PROVIDER

COMPETITION

DISAGGREGATED

COST ACCOUNTABLE

HUMANELY BALANCED

COMMUNITY FOCUSED

MANAGERIAL

POPULATION

CHRONIC

MANAGEMENT/PREVENTION

TEAM

COORDINATION

INTEGRATED

Source: Pew Health Professions Commission
• 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
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

-Wikipedia
# The Business Model Canvas

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Offer</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
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<td>install &amp; manage PPA installations</td>
<td>power purchasing agreements (PPAs)</td>
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<td>mid- to large organizations</td>
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<td>acquiring PPAs &amp; investors</td>
<td>low-risk investment returns</td>
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<td>institutional &amp; private investors</td>
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<td>pool of PPAs to resell</td>
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<td>sales force</td>
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<th>Key Resources</th>
<th>Cost Structure</th>
<th>Revenue Streams</th>
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<td>installing &amp; managing PPA installations</td>
<td>development fee</td>
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<tr>
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<td>acquiring PPAs &amp; investors</td>
<td>monitoring &amp; servicing fee</td>
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</tbody>
</table>
STEP 1

- 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 lose?

• 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.)

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