

HS&S Strategy OUTLOOK

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REVENUE GROWTH: HOW TO WIN THE WAR FOR MARKETS AND SHARE

Among the different approaches that health care organizations can use to grow revenues in a financially prudent manner are the fundamentals of “blocking and tackling” that are basic to any long-term successful growth strategy, whether it relates to a clinical program, niche, new market, or any product or market opportunity. In seminars that I present to professional groups, I call these fundamentals “the 10 guidelines to win the war for markets and share.” The following discussion of these 10 guidelines provides a basis for planning your “war strategy.”

1. GATHER INTELLIGENCE SYSTEMATICALLY

Winning the war for markets and share requires incredible luck and good fortune—or accurate, complete information on the market and the competition. Although buying lottery tickets could be a financially rewarding strategy for a few, it won't be for everyone. Successful businesses outside of health care have long recognized that regular, structured attention to collecting, compiling, cataloguing, analyzing, and communicating market and competitive information is the surest way to start building winning competitive strategy and paving the way for growth.

2. IDENTIFY AND DISSECT YOUR COMPETITORS AND THEIR STRATEGIES

Yes, dissect; most of you thought you had left that concept behind in introductory biology. An important use of the information collected is to understand, anticipate, and thwart competitors' strategic advances. In health care, our attitudes about competitors have been naïve. While we worry plenty, we do little to offset potential threats. We need to understand what competitors' capabilities and interests really are and what impact they might have on us in the future. Equally important is assessing the likelihood of new competitors emerging and understanding their potential strategies and impacts.

3. SCRUTINIZE YOUR CUSTOMERS AND THEIR NEEDS

Using the gathered data to gain a current and future perspective on customers and their needs is at least as important as identifying and dissecting competitor information. Historically, health care organizations have done a better job at understanding their customers than they have at comprehending

markets and competitor strategies, but there is certainly room for improvement. And the opportunity for improvement lies in customer segmentation and increased understanding of how these segments and their needs are likely to change in the future.

4. THOROUGHLY ANALYZE YOUR INDUSTRY/BUSINESS

The third leg of the basic market and competitive analysis is industry/business analysis, which is an often-neglected component in health care. Some key questions to ask are:

- How do the forces in the industry (or our part of it) affect our future position?
- What is the forecast for the medium- and long-term future?
- What are the implications for our business' future position and role?

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5. EMPLOY RIGOROUS BUSINESS PLANNING

Business planning in health care is rarely rigorous—meaning thorough, analytically sound, and perceptive. Ask yourself this question regarding your organization’s current business plans: Are they comprehensive, detailed, compelling, and persuasive enough to pass the test of securing outside funding for the plan? Increased rigor, both in plan development and implementation, monitoring, and revision will go a long way toward winning the war for markets and share.

6. ATTEND TO PRODUCT DEVELOPMENT AND REFINEMENT

Outside of health care, product development and refinement is attended to as a normal part of business development. In contrast, much of product development and refinement in health care is reactive. Product development planning should be made routine and institutionalized to include existing and new products as well as extensions of current products.

7. ATTACK TARGET MARKETS

Yes, attack. Even in not-for-profit organizations, it’s crucial to be aggressive about serving and protecting your target markets. Some markets and segments are simply more important than others, so let’s be honest about it and act accordingly. Determine what the high-priority segments are and what the plan should be for penetrating them. Concurrently, consider what competitive initiatives are likely, and how to offset them in the high-priority segments.

8. BECOME MORE ENTREPRENEURIAL

A business skill needed in greater quantities in health care is entrepreneurialism. Either we need to identify and train budding entrepreneurs inside our organizations, or we need to go outside to get them to plug significant gaps in our business development skill set.

9. NAVIGATE AROUND INTERNAL POLITICS

Even if we follow all the preceding guidelines, significant political barriers will exist in nearly all health care organizations that can disable implementation or render it impossible. Particular concerns common in health care are the needs (and power) of mature versus emerging products and businesses; the desires of entrenched, important leaders; and the resistance to change because “we’ve never done it that way before.” Recognize these possible constraints early on and formulate strategies to work around them.

10. REALLY COMMIT TO COMPETING

There are few environments so benign today and few customer groups and markets so satisfied in health care that they can’t significantly benefit from a competitively fit organization. As Nike’s ad campaigns say, “Just do it!”

If it all seems simple, that’s because it is. Adopt these 10 fundamentals in your organization, and you’ll be well on your way to winning the war for markets and share.

Grading Your Organizational Performance

Health care organizations seeking to improve their strategic planning, competitive strategy, and revenue growth should critically examine their fundamental processes for winning the war for markets and share if they expect to achieve dramatic improvements.

One exercise that facilitates this examination is to ask senior managers to grade organizational performance along the 10 dimensions described in this article using the accompanying matrix. After each manager completes the exercise individually, the group then reviews the scoring by each person for each of the 10 factors. Typically, each manager presents his or her score

for guideline no. 1 and the accompanying rationale, the scores are arrayed, and then the group discusses key improvement opportunities before turning to guideline no. 2 and so on through guideline no. 10. After completing the reviews of all 10 factors, the group determines which are the highest-priority actions, assigns responsibility for follow-up to an individual member of the team, and determines a likely schedule for implementation of the improvement.

The progress an organization can make using this method is truly impressive, and performance results often exhibit a geometric growth pattern.

1 Not at All 2 Minimal 3 Modest 4 Fair 5 Average 6 Above Average 7 Good 8 Very Good 9 Excellent 10 Exceptional

	1 Not at All	2 Minimal	3 Modest	4 Fair	5 Average	6 Above Average	7 Good	8 Very Good	9 Excellent	10 Exceptional
Gather intelligence systematically										
Identify and dissect your competitors and their strategies										
Scrutinize your customers and their needs										
Thoroughly analyze your industry/business										
Employ rigorous business planning										
Attend to product development and refinement										
Attack target markets										
Become more entrepreneurial										
Navigate around internal politics										
Really commit to competing										

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Client Spotlight:

University of Wisconsin Hospital and Clinics

UWHealth

University of Wisconsin
Hospital and Clinics

uwhealth.org

The Project

In 2003, Health Strategies and Solutions assisted the University of Wisconsin Hospital and Clinics (UWHC) with a mid-cycle evaluation of their 2001 strategic plan. HS&S reviewed recommendations from the 2001 plan to assess progress and determine if new priorities should be established. We concluded that substantial overall progress had been made toward the goals established in the 2001 plan, and University of Wisconsin had the opportunity to make similar gains over the next few years.

Through the mid-cycle evaluation process, HS&S determined that two strategic goals from the 2001 plan—financial performance and collaboration between University of Wisconsin Health entities

(UWHC, the University of Wisconsin Medical School, and the University of Wisconsin Medical Foundation) —deserved the most attention. Financial performance recommendations focused on reducing ambulatory care costs, increasing utilization management efforts, and establishing philanthropy as an organizational priority, with the ultimate goal of enabling UWHC to fund capital and strategic priorities. Collaboration recommendations focused on developing a relationship that would align each of the University of Wisconsin Health entities through a common vision, financial incentives, and shared clinical and operational strategies. If successful, these goals would increase cohesiveness and enhance working relationships among the entities.

Additionally, several other key issues were identified that would assist UWHC in maintaining its position as a market leader:

- Ensure sufficient coordination and infrastructure to achieve a nationally recognized level of service, technical, and process quality
- Maximize resource utilization and ensure sufficient capacity to accommodate desired growth in clinical programs and services
- Identify and develop regional business opportunities to increase the proportion

of patients originating from outside of UWHC's local market

The Outcome

UWHC was able to make substantial improvements in each of the areas identified during the mid-cycle evaluation.

- UWHC improved its operating margin from 0.5 percent to 5.2 percent between FY00 (Q4) and FY05 (Q2).
- Cash reserves increased from \$145 million to \$211 million between FY00 (Q4) and FY05 (Q4).
- Collaboration between University of Wisconsin Health entities increased through weekly CEO meetings, joint strategic planning, ambulatory care clinic consolidation under one medical director, and establishment of all clinic and physician billing in a single business office.
- Quality of care improvements led to UWHC being named a program finalist in 2003 and 2005 for the American Hospital Association Quest for Quality prize in leadership and innovation in quality, safety, and commitment to patient care.
- UWHC facility expansion plans added more treatment space, patient amenities, and technology improvements, including a

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On the Dais

Upcoming Presentations

Phil Blank and Hugo Finarelli: "Litigator versus Expert Witness: Two Perspectives on the Effective Use of Expert Testimony in a Healthcare Setting," American Health Lawyers Association, Hospitals and Health Systems Law Institute, February 9 in Fort Lauderdale

Christie Markham: "Neuroscience Center Business Plan Development," 3rd Annual Building and Streamlining Neurosciences Centers of Excellence, February 27 in Las Vegas

Alan Zuckerman: "Competing on Excellence," New Jersey Hospital Association, March 17 in Princeton

Alan Zuckerman: "Successful Competitive Strategy to Increase Markets and Share," American College of Healthcare Executives 2006 Congress on Healthcare Management, March 28 in Chicago

Off the Press

Recent Articles

"Revenue Growth: How to Win the War for Markets and Share" by Alan Zuckerman, December issue of *Healthcare Financial Management*

"Centers of Excellence: Big Opportunities, Big Dividends" by Alan Zuckerman and Christie Markham, February issue of *Healthcare Financial Management*

"Alternatives to Traditional Joint Ventures: Promoting Collaboration Instead of Competition" by Craig Holm and Alan Zuckerman, March issue of *Managing the Margin*

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Client Spotlight:

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computerized provider order entry system and 100 percent digital imaging capabilities.

- Significant volume and revenue growth was achieved for targeted programs including cardiovascular, neuroscience, oncology, orthopedic, pediatric, and transplant services.
- The percentage of admissions from outside of the local market increased from 54 percent to 56 percent between 2002 and 2005.

This project demonstrates that a regular strategic plan review can help providers achieve and surpass organizational goals and objectives. UWHC was able to make significant progress toward achieving preeminence in selected services, elevating service quality, and realizing the full potential of its resources, ultimately allowing for improved financial performance and overall organizational growth.



Above l to r: Robert Hill, Christine Markham, Keith Pryor, Tracy Johnson, Craig Holm, Alan Zuckerman and Hugo Finarelli

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Health Strategies & Solutions, Inc., is a national management consulting firm dedicated to helping organizations discover innovative strategies and

solutions for today's complex health care challenges. Our staff has enabled hundreds of health care organizations across the country to address complex issues, make decisions that achieve lasting results, and set courses for success.

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