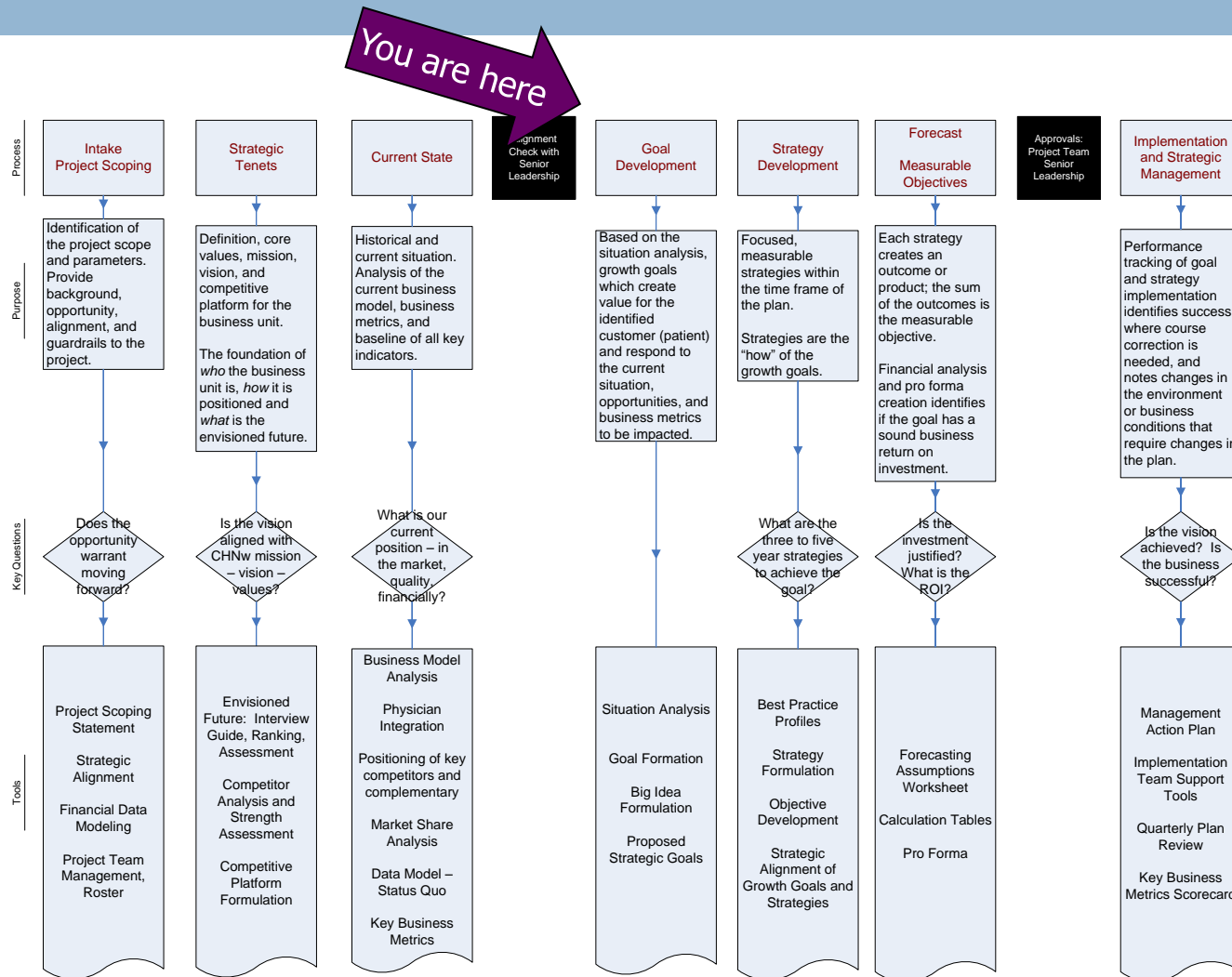


Blue Ocean:
Building strategies for
profitable growth

Strategy Development in Planning

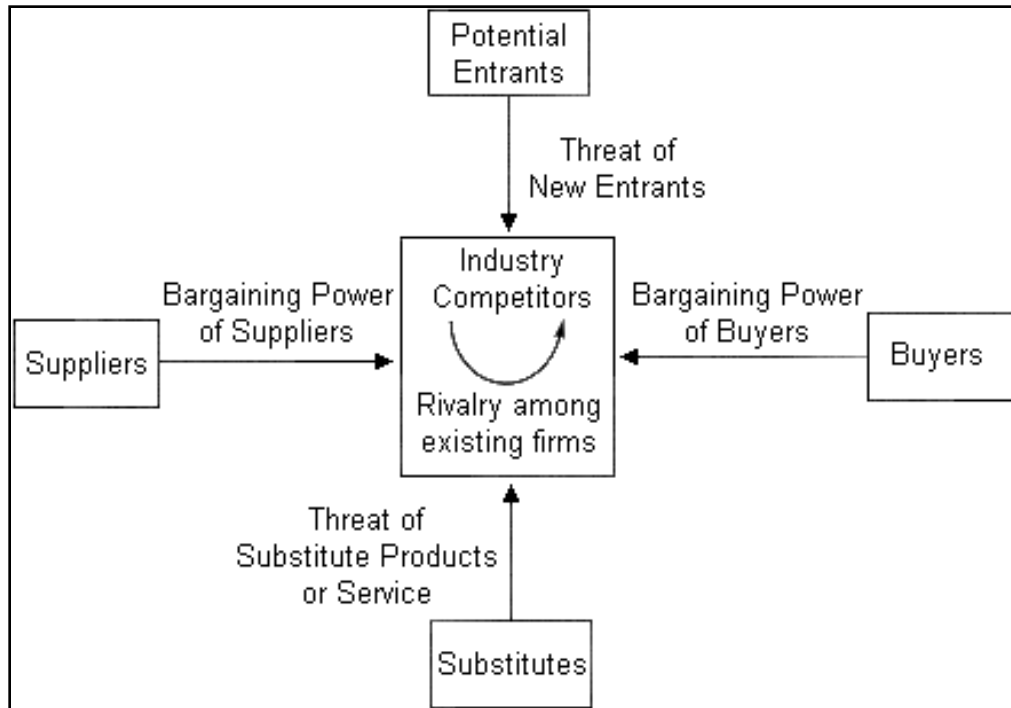


Achieve sustainable success

Established or “Old School” Model

- Porter’s Five Forces Model
- “Achieve Competitive Advantage”
- Focus on competition and rivals
- Strategy is “WAR”! (Rivalry)
 - ▣ War is won by either a low cost strategy or a product differentiation strategy

Porter's Five Forces



- The objective is to create a strategy.
- To *insulate* the business from competitive forces.
- Analysis allows you to make the "*rules*," placing added pressure on rivals.
- This will enable the business to *define* the business model for the industry.

Issue: This is not sustainable

- In any industry there will only be one low cost provider.
- The traditional healthcare market pricing does not currently lend itself to a low cost provider – but that is changing.
- Product differentiation can be copied. This leads to Commoditization of products and services

Oceans refer to a market or industry

- **Blue oceans** are untapped and uncontested markets, which provide little or no competition for anyone who would dive in, since the markets are not crowded.
- A **red ocean** refers to a saturated market where there is fierce competition, already crowded with people (companies) providing the same type of services or producing the same kind of goods.
- “**Value innovation** occurs only when companies align innovation with utility, price, and cost positions. If they fail to anchor innovation with value in this way, technology innovators and market pioneers often lay the eggs that other companies hatch.”

Six Principles of Blue Ocean Strategy

Formulation principles

- Reconstruct market boundaries
- Focus on the big picture, not the numbers
- Reach beyond existing demand
- Get the strategic sequence right

Risk Factor each principle attenuates

- ↓ Search risk
- ↓ Scale Risk
- ↓ Planning risk
- ↓ Business model risk

Execution Principles

- Overcome key organization hurdles
- Build execution into strategy

Risk Factor each principle attenuates

- ↓ Organization risk
- ↓ Management risk

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“to fundamentally shift the *strategy canvas* of an industry you must begin by reorienting your strategic focus from competitors to *alternatives*, and from customers to *noncustomers* of the industry.

When accomplished, you gain insight into how to redefine the problem the industry focuses on; thereby reconstructing buyer value elements that reside across industry boundaries.”

Visualizing strategy

| Visual Awakening | Visual Exploration | Visual Strategy Fair | Visual Communication |
|---|---|---|--|
| Compare your business with your competitors by drawing your as is strategy canvas | Go into the field to explore the six paths to creating blue oceans | Drawn your to be strategy canvas based on insights from field observations | Distribute your before and after strategic profile on one page for easy comparison. |
| See where your strategy needs to change | Observe the distinctive advantages of alternative products and services | Get feedback on alternative strategy canvases from customers, competitor's customers, and noncustomers. | Support only those project and operational moves that allow your company to close the gaps and actualize the new strategy. |
| | See which factors you should eliminate, create, or change. | Use feedback to build the best to be future strategy. | |

Creating new markets

Basic concept: Growth comes from new consumers, new markets heretofore untapped. By meeting consumer needs in a unique approach, product is targeted to new consumers.

| | <i>Head to Head Competition</i> | | <i>Blue Ocean Creation</i> |
|--------------------------------------|---|---|--|
| Industry | Focuses on rivals within an industry | → | Looks across alternative industries |
| Strategic Group | Focuses on competitive position within strategic group | → | Looks across strategic groups within an industry |
| Buyer Group | Focuses on better serving the buyer group | → | Redefines the industry group |
| Scope of product or service offering | Focuses on maximizing the values of products and service offerings within the bounds of an industry | → | Looks across to complementary products and service offerings |
| Function-emotional orientation | Focuses on improving price performance within the function-emotional orientation of its industry | → | Rethinks the functional-emotions orientation of its industry |
| Time | Focuses on adapting to external trends as they occur | → | Participates in shaping external trends over time. |

Sequence of blue ocean strategies

Buyer Utility: Is there exceptional buyer utility in your business idea?



Yes

No - rethink

Price: Is your price easily accessible to the mass of buyers?



Yes

No - rethink

Cost: Can you attain your cost target to profit at your strategic price?



Yes

No - rethink

Adoption: What are the hurdles in actualizing your business idea? Are you addressing them up front?



Yes

No - rethink



A new approach to strategy

- Strategic imperative: “Achieve Customer Bonding”
 - ▣ Customer bonds cannot be easily replicated or broken.
 - ▣ Customer bonds will lead to sustainable success.
- Strategy is “LOVE” (Your Customers) vs. “WAR” with Competitors!!
 - ▣ It is important to know and study the competition.
 - ▣ The focus is not to beat their products/services, rather to understand how they serve customers
 - ▣ This is a customer, or patient, focused strategy

De-Commoditize the Process

- De-commoditize products and services by creating unique value and benefits for each customer
 - ▣ Building a value proposition for each clinical service, program or product that is based on meeting and surpassing the values identified by the patient/consumer.

- Create value propositions by customer segment that uniquely “locks-in” each customer
 - ▣ You need to understand your patient/consumer.

How to de-Commoditize Clinical Care

Leadership creates unique value propositions through:

- ▣ Customer Learning
- ▣ Product/Service Customization
- ▣ Value Added Benefits
- ▣ Understand How Customers “Buy” Your Products

Achieving long-term, sustainable growth

Long Term / Sustainable, Profitable Growth requires:

- ▣ Outstanding Operations
- ▣ Focus on Customer' through solutions and providing value and benefits.
- ▣ Have at least One Customer “Lock-In”

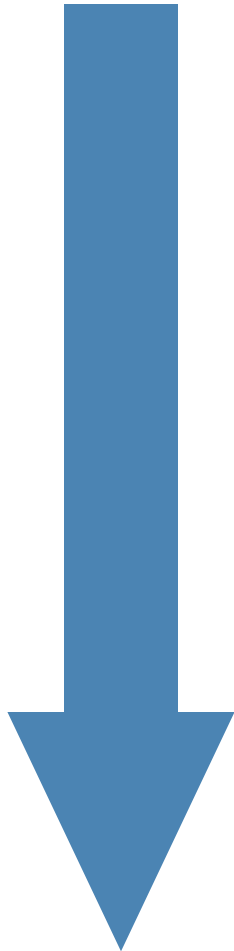
How consumers acquire or purchase

- The Concept of Complementary
- Used to Achieve Customer Bonding (Lock-In)

Complementary in Healthcare

- Insurers
- Physicians
- Retail Medicine providers
- Complementary Alternative Medicine providers

Roadmap: creating strategies



1. Mission – Why you exist
2. Vision – The long term, big audacious goal
3. Competitive Platform – How do you compete?
4. Growth Strategy – What is our orientation toward growth?
5. Major Strategic Issues To Address in the Plan
6. Primary Customer Values – What drives a consumer to make the purchase and/or selection?
7. Eliminate – Raise – Reduce – Create
8. Strategic Growth Goals
9. Strategies

3 elements of a good strategy



Focus – Clear, concise, direct



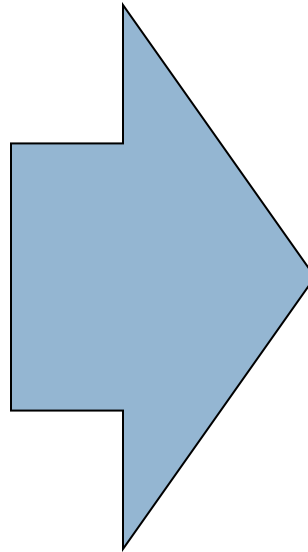
Divergence – By applying eliminating, reducing, raising, and creating you achieve a differentiation from the average industry profile.



Compelling Tagline – A good strategy has a clear cut, compelling tagline that is strong and authentic

Tools – *Eliminate/Reduce/Raise/Create* Grid

- (1) Which of the factors that the industry takes for granted should be eliminated?
- (2) Which factors should be reduced well below the industry's standards?
- (3) Which factors should be raised well above the industry's standard?
- (4) Which factors should be created that the industry has never offered?

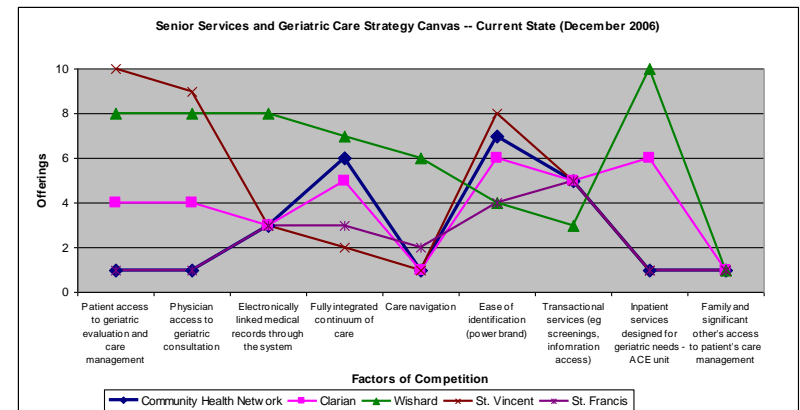


Once you have a response for each question, what would the actions look like to create a new value curve?

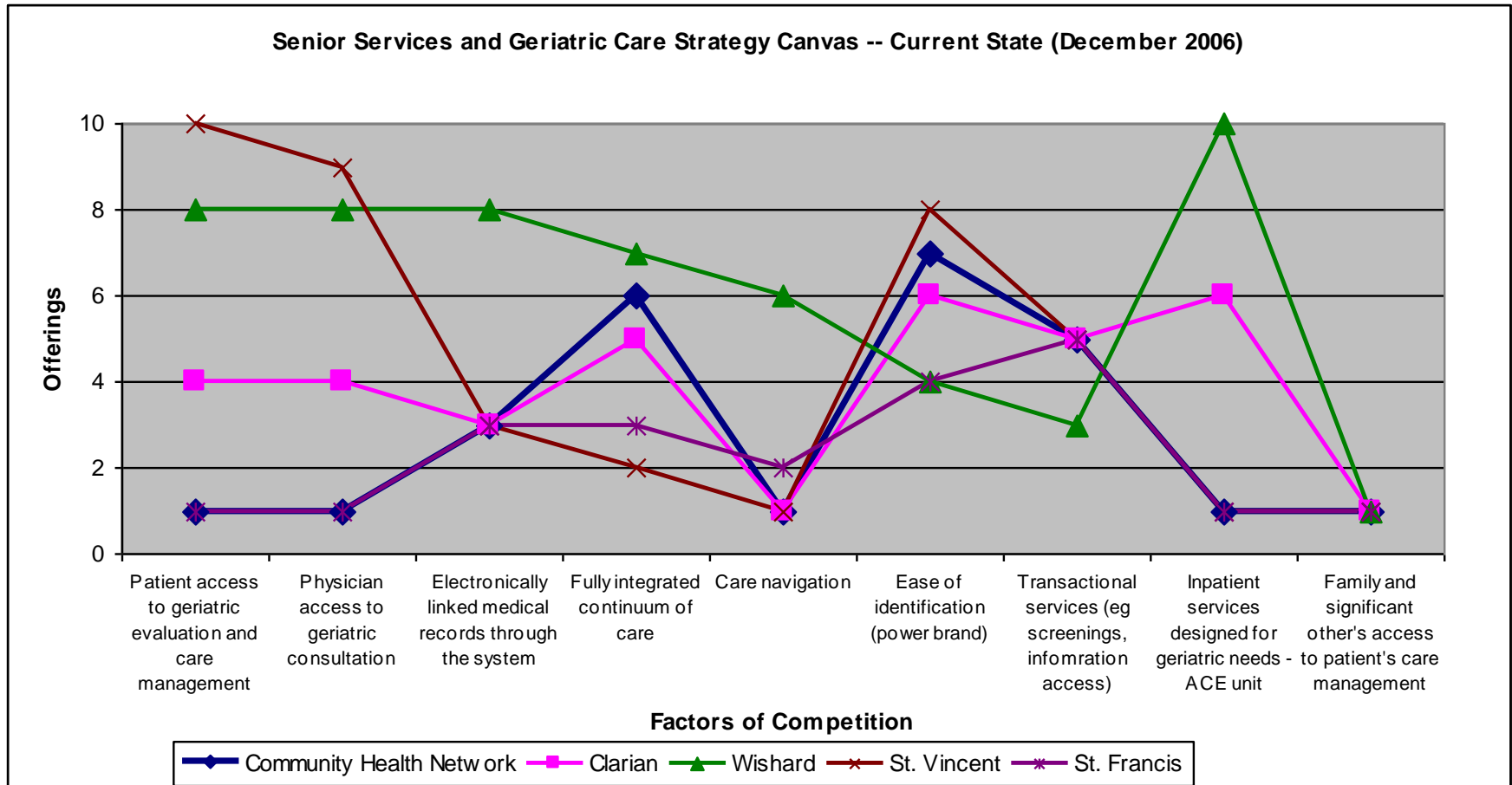
The grid will help pursue differentiation and low-costs to break the value-cost trade off. It flags business that is focused on raising and creating only – typically over engineered decisions. This creates easily understood, engaged leaders and really scrutinize factors on which the industry competes – realizing unconsciously made implicit assumptions.

Tools – Strategy canvas

- A strategy canvas creates a diagnostic tool to capture the current state in the market place. It enables a project team to understand where the competition is investing, factors the industry currently competes on in products, services, and delivery systems, and what customers receive from the current rivals or competitors.
- The horizontal axis indicates the specific values of an industry.
- Competitors are ranked for each indicator. A high score means that a company offers buyers more, and hence invests more, in that factor.



Tools – strategy canvas



Tools - strategy canvas

- To fundamentally shift the strategy canvas of an industry, the business should begin by reorienting your strategic focus from competitors to alternatives, and from customers to noncustomers of the industry.
- The “old way” would be to benchmark competitors and choose between differentiation and cost leadership.
- The “new way” is to shift focus from current competition to alternatives and noncustomers. The project team is tasked with how to redefine buyer value elements that reside across industry boundaries.

Tools - strategy canvas

The value elements are based on what creates value within the industry to the primary customer.

Competitor assessment and positioning allows the project team to quantify and rank the players for each value element.

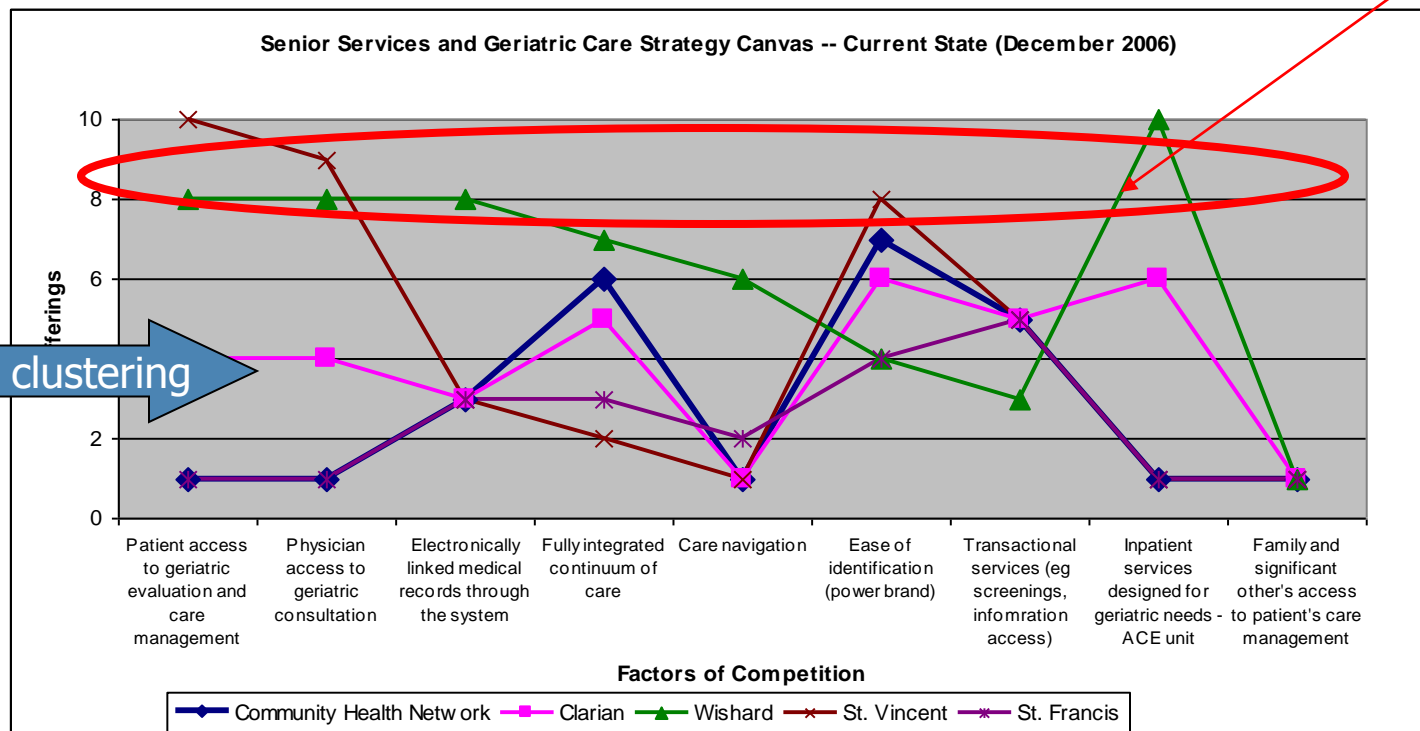
0 - 10 Scale: 10 highest and 0 lowest

| Value Element | Community Health Network | Clarian | Wishard | St. Vincent | St. Francis |
|--|--------------------------|---------|---------|-------------|-------------|
| Patient access to geriatric evaluation and care management | 1 | 4 | 8 | 10 | 1 |
| Physician access to geriatric consultation | 1 | 4 | 8 | 9 | 1 |
| Electronically linked medical records through the system | 3 | 3 | 8 | 3 | 3 |
| Fully integrated continuum of care | 6 | 5 | 7 | 2 | 3 |
| Care navigation | 1 | 1 | 6 | 1 | 2 |
| Ease of identification (power brand) | 7 | 6 | 4 | 8 | 4 |
| Transactional services (eg screenings, information access) | 5 | 5 | 3 | 5 | 5 |
| Inpatient services designed for geriatric needs - ACE unit | 1 | 6 | 10 | 1 | 1 |
| Family and significant other's access to patient's care management | 1 | 1 | 1 | 1 | 1 |
| Affinity Club, Education, Programs | 1 | 10 | 1 | 7 | 7 |
| | 27 | 45 | 56 | 47 | 28 |

The totals represent the relative positioning of each player within the industry.

Tools - strategy canvas

When graphed, it becomes clear that the players are clustered with each player moving outside the cluster on one or two indicators. The objective is to create product values that move your product outside of the cluster and into its own region – rather than creating changes in response to the competitors, create a new products meeting the demands of the industry.



Note the clustering

A good strategy has (a) focus – concise and clear, (b) divergence – the value curve is not identical to all the others, and (c) a clear cut and compelling tagline – there is a clear, concise message.

Sources

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Wrap-Up

The most important concept

Cowardice, as distinguished from panic, is almost always simply a lack of ability to suspend functioning of the imagination.

Ernest Hemingway, *Men at War*



One last thing....

- It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change. *Author unknown, commonly misattributed to Charles Darwin*
- There is nothing wrong with change, if it is in the right direction. *Winston Churchill*
- Consistency is contrary to nature, contrary to life. The only completely consistent people are the dead. *Aldous Huxley*

For additional information or to continue our dialogue

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