

Evaluation and verification of strategies in health organizations

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Strategic Management

- Strategic management:
- is the health institution monitoring the changes and developments that take place in the external surroundings,
- analyzing them,
- and assessing them.

Strategies

- Are applied in the order below;
 - 1) Directional strategies
 - 2) Adaptive strategies
 - 3) Strategies for entering a market
 - 4) Position strategies
 - 5) Operational strategies

1. Directional Strategies

- The most general strategy.
- Determines the essential direction of the institution.
- Mission (Who are we? Why do we exist?) and vision (what should we be?) are determined.

2) Adaptive strategies

- a) **Growth strategies:** The best strategies that serve to realize the mission and succeed in the vision.
- a1) Diversification
- a2) Vertical Integration
- a3) Market Development
- a4) Product/Service Development)
- a5) Penetration

a1) Diversification

- Entering a **New** market. (Relevant type: a hospital starting home treatment services, etc. Irrelevant type: the hospital opening a cafeteria, etc.)

a2) Vertical Integration

- **Retroactive vertical integration:** The health institution starting to produce the input it uses (purpose: to take the patient flow to various institutions and departments under supervision)
- **Proactive vertical integration:** The health institution growing towards customers and providing new services. (a hospital establishing a long-term care unit, etc.)

a3) Market Development

- The health institution entering a new market with the existing products and services.
- Purpose: To increase the amount of services being provided.

a4) Product/Services Development

- The provision of new products and services that supplement existing products and services.
- Also the development of existing products and services.
- For example, a maternity hospital starting to provide birth control services.

a5) Penetration

- The presentation of better services to the existing market,
- with existing products and services.
- Purpose: to increase production and the market share.
- Focuses on promotion, distribution, pricing and introduction (human relations).

b) Contract Strategies

- Includes **compacting** the quantity and scopes of the activities being conducted.
- b1) **Divestiture**: The sales of service units.
- b2) **Liquidation**: Purchasing an x-ray machine with new technology and selling the old one, etc.
- b3) **Harvesting**: Retreating in an orderly and planned way from a market in which demand has decreased.
- b4) **Retrenchment**): Includes the redefinition of the market, reduction of costs and decreasing some assets. Reduction in personnel, ceasing the production of some products/services, narrowing the served region.

c) Stability Strategies

- The old strategies that are continued with a **few minor changes** if the existing conditions are suitable.
- c1) **Work development strategy:** includes the application of quality programs like total quality management.
- c2) **Maintaining the Situation:** The purpose is to maintain market share in a market that has intense competition.

3) Strategies for entering the market

- 3. 1) Purchasing strategy
- 3. 2) Cooperation strategy
- 3.3) Development strategy

3.1) Purchasing Strategy

- Allows an institution to enter a market rapidly, using its financial resources.
- **Acquisition:** One health institution purchasing part or all of another institution.
- **Purchasing license rights (licensing):** Instead of preparing software that is part of an integrated information system, a hospital may purchase the software licenses of institutions that have specialized in this subject.
- **Supporting Investments:** Involves a health institution investing in newly developing smaller institutions.

3. 2) Cooperation Strategy

- Sometimes cooperation is preferred to competition.
- **Merging (marriage):** Two or more health institutions merge.
- **Establishing Alliance:** Actions are made jointly in some subjects (like purchasing materials) with other institutions.
- **Joint Venture:** Two or more health institutions undertake high cost and risk projects together (jointly). This is a risk sharing method.

3.3) Development Strategy

- **Internal Development:** New products/services are developed using the institution's existing structure and personnel.
- **Internal Venture:** Involves the establishment of a relatively independent new department inside the institution. This is a strategy that is used when the new products/services are not related to the existing products/services.

4. Positional Strategies

- After the adapting and entering the market strategies,
- it is necessary to determine position in terms of competition.

- - Cost leadership strategy
- - Differentiation strategy
- - Focus strategy

Cost leadership strategy

- To be able to produce products and services at lower cost compared to the competition,
- To be able to provide them at a lower price.

Differentiation strategy

- To render the institution's products and services unique in the market.
- For example, adding laser technology to be able to perform cataract surgeries.

Focus strategy

- The objective is to focus on the needs of certain customer groups (like the high income group) rather than the whole market.

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- A HEALTH INSTITUTION
 - CAN ACHIEVE A GOOD PLACE IN THE MARKET
 - BY USING A FOCUS STRATEGY
 - FOR PRODUCT DIFFERENTIATION AND COST LEADERSHIP STRATEGIES.

Assessing strategies

- Many different techniques are used in the assessment of strategies.
- Two of these are:
 - SWOT Analysis
 - Boston Consulting Group Growth Sharing Matrix

SWOT Analysis

- It is necessary to determine the institution's strong and weak points
- in order to protect against threats
- and utilize resources

SWOT

- S (Strengths): The institution's strong points
- W (Weaknesses): The institution's weak points
- O (Opportunities): Surrounding opportunities
- T (Threats): Surrounding threats

SWOT Analysis

Institutional Dimension

Strong points

Weak points

Opportunities

PROMISING

INTERNAL
STABILIZATION

Surroundings

Dimensions

Threats

EXTERNAL
STABILIZATION

STRUGGLE FOR LIFE

Internal Stabilization

- There are weak points in the institution and opportunities in the surroundings.
- Strategies are in 2 stages:
- 1) Strategies to resolve their own weaknesses (for example, selling assets, making savings, etc.)
- 2) Strategies towards surrounding opportunities (business development, market development, product development, vertical integration, relevant diversification, etc.)

External Stabilization

- The institution is strong, there are surrounding threats.
- The strategy is determined to maximize strong points and minimize threats.
- For example, relevant diversification, irrelevant diversification, market development, product development and maintaining the situation, etc.

Promising

- The institution is strong, there are surrounding opportunities.
- Growth strategies must be applied.

Struggle for Life

- The institution is weak, there are surrounding threats.
- Applicable strategies:
 - Irrelevant diversification,
 - Divestiture,
 - Selling assets,
 - Harvesting
 - And cost-saving strategies.

Boston Consulting Group(BCG)

Growth Sharing Matrix

- Deals with the relative market share and the market's growth rate.
- Relative market share: Shows the position of an establishment in relation to its strongest competitor.
- Relative market share= Institution's market share / Strongest competitor market share

Relative Market Share

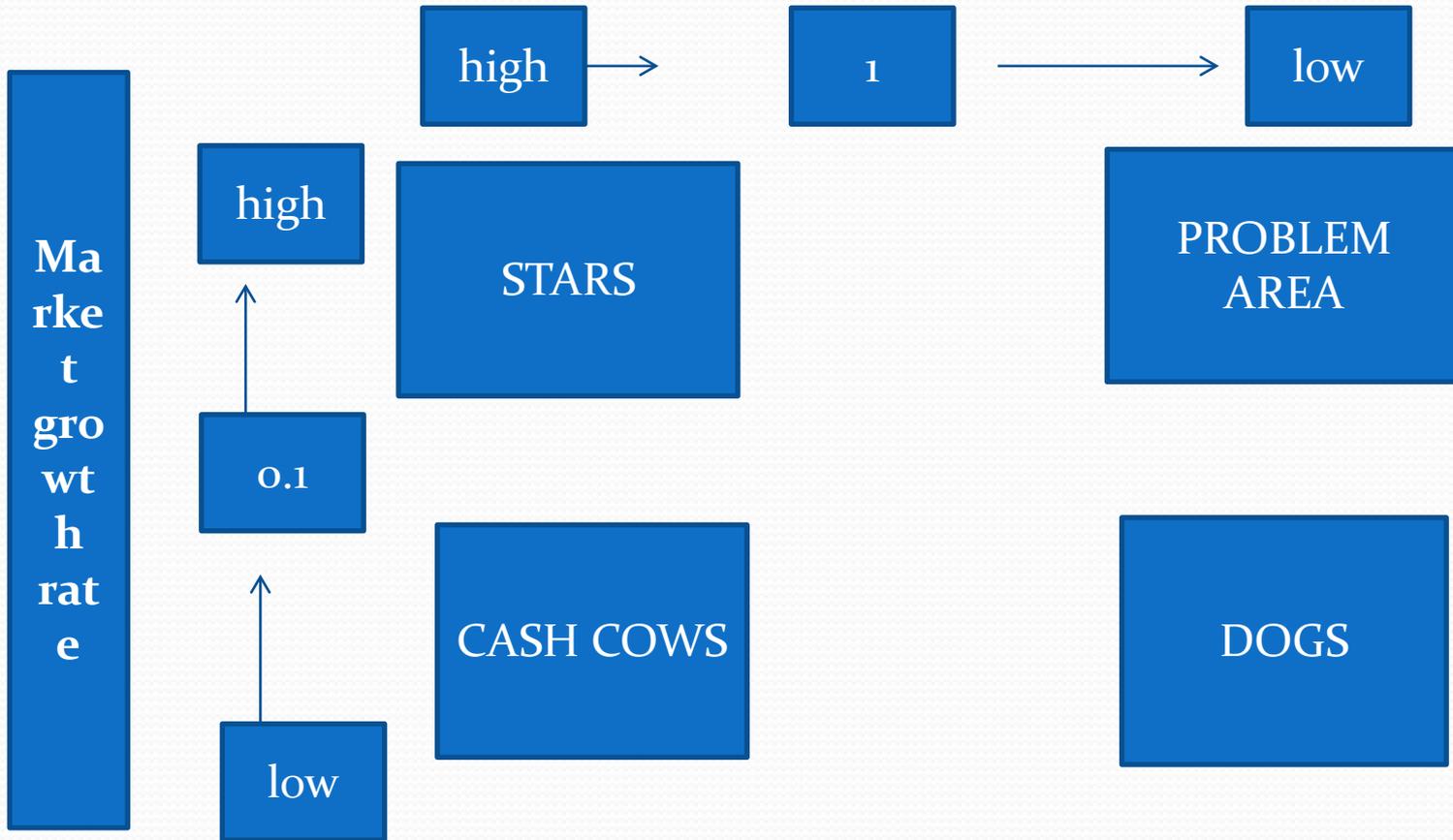
- > 1 : The institution has the biggest share in the market.
- $=1$: The institution's market share is equal to that of its strongest competitor.
- < 1 : The institution's market share is less than the share of its strongest competitor.

The Market Growth Rate

- Calculated yearly.
- It is the rate of increase from the amount of services presented in the previous year.
- Market growth rate: $(V_t - V_{t-1}) / (V_{t-1})$
- According to BCG the normal Market growth rate is 10%.

BCG

Relative Market share



Problem area

- The institution is operating with a low market share in a market that is growing rapidly.
- Applicable strategies:
 - Market development
 - Product development
 - Harvesting
 - Divestiture
 - Selling assets

Stars

- The institution is in a leading position in terms of market share in a rapidly growing market.
- Main applicable strategies:
 - Market development
 - Product development
 - Penetration
 - Vertical integration
 - Relevant diversification

Cash Cows

- The institution has a large market share in a gradually growing market.
- Main applicable strategies :
 - Cost savings
 - Relevant diversification
 - Harvesting
 - Divestiture
 - Selling assets

Dogs

- The institution has a small market share in a slowly growing market.
- Main applicable strategies:
 - Cost savings
 - Divestiture
 - Selling assets