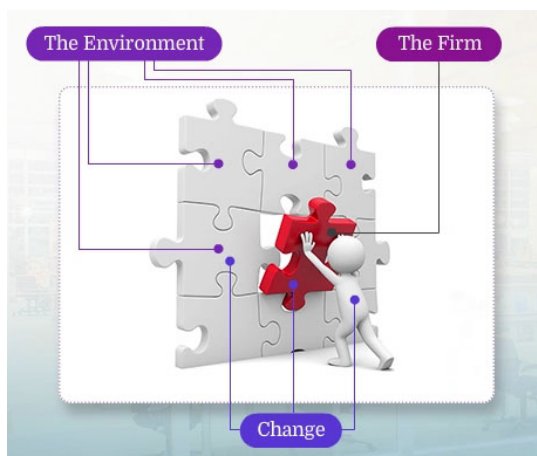


# Marketing & Strategy

Strategy Session 3  
STRATEGY 704QH 2024

## What is Strategy?



Great strategies, ones that allow firms to achieve ambitious objectives, address all three of these topics

## Session 3: Change

### Today's Agenda

- Review types of technological change
- Discuss your disruption analyses
- Review alignment of frameworks, concepts, and questions

## Types of Technological Change

Change can be *competence enhancing* (preserve or extend exiting capabilities) or *competence destroying* (undermine the value of existing strengths or turn a strength, such as a distributor network, into a liability)

Change can be in *components* (isolated changes generally easy to adapt to) or *architectural* (changing the relationships among parts of a business system)

Change can be *sustaining* (it improves on performance attributes valued by existing customers) or *disruptive* (it lowers performance attributes valued by existing customers)

*Favors Incumbents*

**Favors New Entrants**

# Disruptive Change

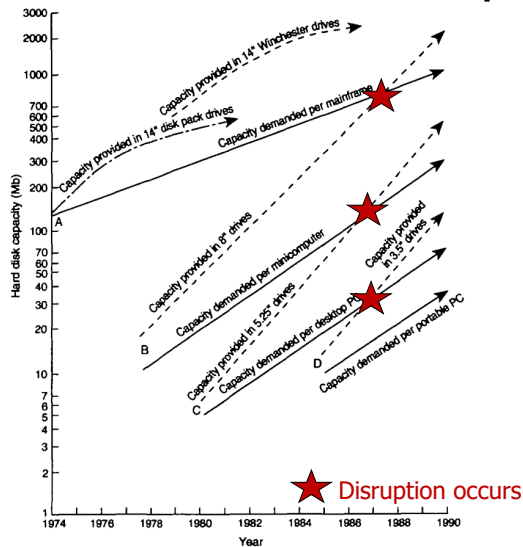


FIGURE 3. A comparison of the trajectories of disk capacity demanded per computer, versus capacity provided in each architecture.

## Disruptive Technologies

- Initially have attributes that are not adequate for existing customers (thus are often ignored by incumbents)
- Are adequate for newer customer groups (creating a viable market)
- Are on improvement paths that eventually surpass the needs of existing customers (thus replacing the old technology)

Source: Christensen, C. M. and R. S. Rosenbloom (1995). "Explaining the attacker's advantage: technological paradigms, organizational dynamics, and the value network." *Research Policy* **25**: 233-257.

# Macro Environment

## **Macro Environment**

Demographic trends  
 Socio-cultural influences  
 Technological developments  
 Macroeconomic impacts  
 Political-legal pressures  
 Global trade issues

## OVERVIEW

# Drivers of Disruption

The healthcare industry has historically remained unaffected by the transformative impacts of exponential technologies, given heavy regulation and reliance on expert labor. However, even the most regulated industries are vulnerable to the effects of big bang disruption. In health care, big bang disruption will happen on a market-by-market basis, versus at a national scale. It will also initially present itself in pockets across parts of the healthcare value chain as new ecosystems form.

Change is already impacting parts of the healthcare value chain in different ways, making it difficult to detect major disruption.

Digital is driving change across industries, from shopping to entertainment to travel. The convergence of "exponential technologies" has increased the pace and scale of industry change to a level greater than ever before experienced. Transformations driven by other exponential technologies, like electric power, automobiles and telephone, took more than 40 years to reshape industries. Even the impact of the Internet took over 10 years to drive change.

Today, these exponential technologies are the platforms enabling innovators to rapidly launch products and services that are Big Bang Disruptions—innovations which are simultaneously better, cheaper and more customized than current offers—and they're putting major players out of business. Since 2000, 52 percent of companies in the Fortune 500 have either gone bankrupt, been acquired or ceased to exist. In addition, the life of a Fortune 500 company keeps shortening, from 75 years to less than 15 years today.

### Exponential technologies are driving big bang disruption in healthcare



Social



Mobility



Analytics



Cloud



Internet of Things



Genomics



Imaging

Source: Accenture Analysis

Source: <https://www.accenture.com/us-en/insight-healthcare-bigbang-disruption> (posted a decade ago in 2014)



**Open innovation.** Just as the industry disruptors do, healthcare companies must explore new pathways to innovation. Connect with the outside world through open innovation to explore new models and create better, more cost-effective healthcare technologies or new value linkages.



**Healthcare mergers and acquisitions.** Use an investment portfolio manager's mindset to evaluate mergers and acquisitions. Assess strategic growth opportunities holistically across three dimensions—horizontally, vertically and digitally—to determine how to best diversify and differentiate.



**Corporate venturing.** Bet on a portfolio of experiments and do so early enough to own a significant piece of the eventual winner. Another option is to work with enough of the experimenters to become the preferred—or even exclusive supplier—for products and services that take off.



**Platform experimentation.** Identify parts of the business that are most vulnerable to attack by disruption from new platform-based business models from incumbents and startups inside and outside the healthcare industry.



**Ecosystem collaboration.** Identify potential digital platform partners and ecosystem scenarios in three categories: existing business partners becoming digital platform partners, new digital partners within your industry, and new digital partners outside of your industry. Plan and launch a pilot to either join, partner or build a digital platform ecosystem.

## Wide Range of Available Strategic Responses

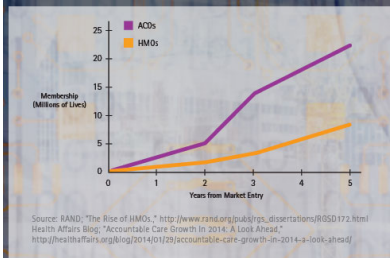
Source: <https://www.accenture.com/us-en/insight-healthcare-bigbang-disruption> (posted a decade ago in 2014)

# Experimentation and Learning

## KEY FINDINGS

### Payment model reform signals disruption

Comparative Diffusion of HMO and ACO Models



Seemingly unrelated market experiments are on the rise, but collectively, they signal impending industry change. There is parallel experimentation going on in healthcare based on open, user-funded, crowdsourced tools and techniques that have become the norm for high-tech products and services. Increasingly, it is consumers who are demanding innovations and more open approaches in health care.

- **Uptick in startup funding.** Accenture research estimates that digital health funding will double in the next three years, growing to \$0.5 billion by 2017. The continued increase in digital health funding is fueling a high volume of market experiments aimed at the heart of healthcare incumbent businesses.
- **Zombie startups.** A majority of the market experiments funded by the increasing digital health investment will fail, causing incumbents to ignore them as "distractions." Accenture research estimates that more than half of digital health companies funded between 2008 and 2013 are not likely to survive, creating opportunities for incumbents to swoop in and give these investments new life.
- **More healthcare mergers and acquisitions (M&A).** A tidal wave of mergers and acquisitions (M&A) is fundamentally reshaping the US healthcare landscape, reaching the highest year-to-date volume—ever. As traditional hospital acquisitions shrink, non-acute and digital acquisitions are on the rise with digital acquisitions projected to expand by a multiple of 8—from 1 percent overall acquisition volume in 2014, to 8 percent by 2018.

The results of this study show that although the decline of HMOs varies somewhat from case to case, it follows a fairly consistent pattern with similar causes. These factors were related to wrong ethos, mismanagement, failing to control costs, resistance from provider groups, increased competition, and inadequate IT infrastructure leading to patient dissatisfaction. Patient dissatisfaction, in turn, led to a managed care backlash, which stimulated the enactment of new restrictive legislation. Restrictive legislation not only negatively impacted the continued growth of HMOs but also accelerated the speed of their decline.

ACOs are evolved in response to the shortcomings of HMOs rather than as a copy of them. Although recent studies (73,74) showed that ACOs did a good job in terms of quality improvements and cost reductions, that doesn't mean they are guaranteed to be long-term successes.

Source: <https://www.accenture.com/us-en/insight-healthcare-bigbang-disruption>  
 (posted a decade ago in 2014)

What Should ACOs Learn from the Failure of HMOs?  
 What should accountable care organizations learn from the failure of health maintenance organizations?  
 A theory based systematic review of the literature  
 January 2017 - DOI:10.22037/sdh.v3i4.20919

## Observations over the Years



## My Take

The same technological changes (digitization/analytics) will affect healthcare actors quite differently

- Competence enhancing or destroying

- Component or architectural

- Sustaining or disruptive

The right response depends on the likely effects of the change (see above) and:

- Firms' relative abilities to innovate or take share away later

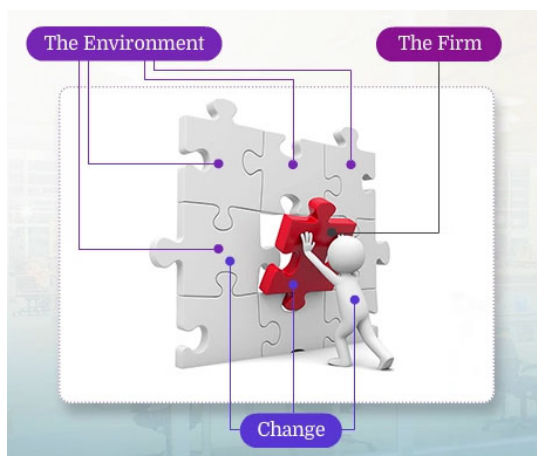
- The rate at which technology is changing relative to market acceptance

- How easily resources can be redeployed without losing value (i.e., breakup value)

- If they can (and desire to, for their own sake or others) reduce the overall pace of innovation

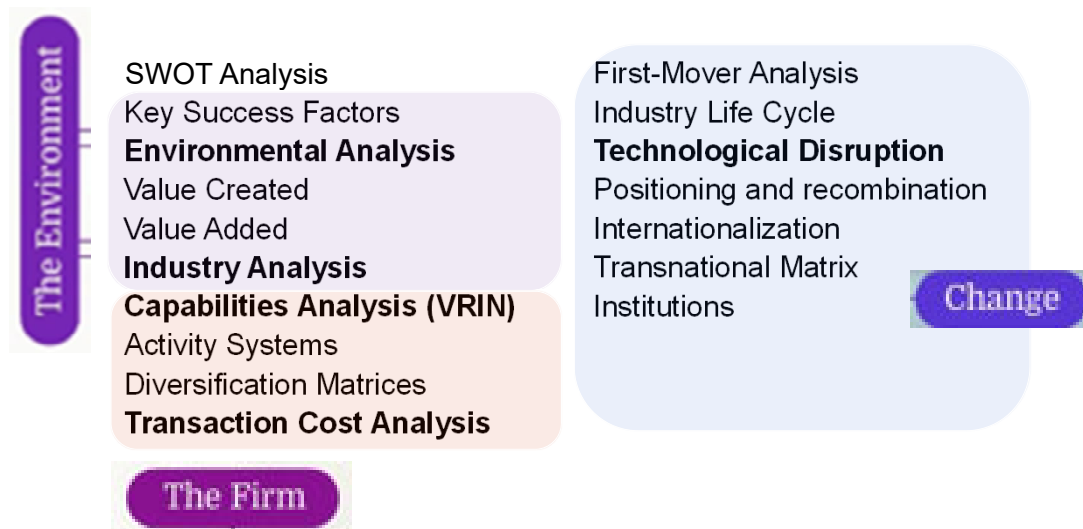
Even for intended followers, moderate investment in these technologies will improve the ability to evaluate options ("absorptive capacity") and time changes to avoid disruption

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# Analytical Frameworks and Concepts



## Questions – Environment and Firm

What is most important to do well? (Key Success Factors)

**How is this changing? (Environmental Analysis)**

**Are we doing the right things? (Value Created)**

**Are we in a strong competitive position? (Value Added)**

**What do we need to do to protect the value we create? (Industry Analysis)**

**What should we build our unique strategy around? (VRIN)**

Who will copy us? (Activity Systems)

**What activities should be part of our company? (Diversification Matrices and Transaction Cost Analysis)**

## Questions - Change

When and how must our capabilities and strategy change? (Industry Life Cycle)

Should we lead or follow? (First-Mover Analysis)

**How should we respond to new technologies? (Technological Disruption)**

How can we find new ways to compete? (Positioning and recombination)

Where, why, and how should we expand abroad? (Internationalization)

How do we organize for international activities? (Transnational Matrix)

When will actors outside the market respond to us, how do we identify them, and how do we address international differences? (Institutions)