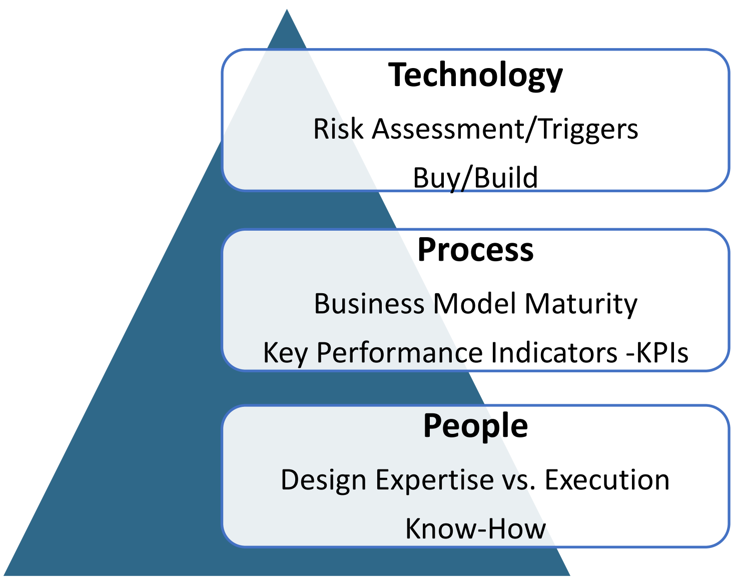
PART 2: Process

The Healthcare industry is filled with opportunity, with many organizations having the ideal problem of growing too quickly. We are frequently asked by our clients to conduct scalability assessments and suggest prioritized roadmaps supporting rapid growth agendas. As part of that work, we have found several common themes along with some unique considerations relative to growth generated via innovation ("new and different") versus market and business expansion with current offerings ("bigger and better").

This article, the second in a three-part series, shares insights from a signature approach we have successfully applied in helping our clients create a scalability roadmap in support of growth. This article focuses on "PROCESS" considerations, while the first article focused on "PEOPLE". The last (third) in this series of articles will address "TECHNOLOGY".



Before starting a client scalability assessment, we always advise taking a step back to re-examine the overall growth strategy and expected impact on the current business model. It is important to take stock of some fundamental differences in approach to scalability, relative to creating something "new and different" versus "bigger and better." From a PROCESS perspective, "New and different" almost always entails building new processes.

When looking to support rapid "same store" growth ("bigger and better"), it is easy to just assume efforts to enable scalability will center around hardening existing capabilities – for example, automating manual processes. This can lead to missed opportunities to make improvements, without evaluating how well processes function today and how well those same processes are likely to work in the future with new growth. Undertaking an evaluation to identify areas for improvement is key when looking to grow existing business, as well as when adding innovation to current offerings.

Questions that can help create a road map to scalability include:

- How do the tenets of the new growth agenda challenge the existing way of thinking about the business overall?
- What would need to be done differently to implement processes supporting growth?
- What other companies excel at new offering (service); what can we learn from them?
- What are the key value drivers supporting new growth, and how do they differ from the existing business?
- Are there alternative configurations that can free up existing capacity constraints? This is an area where disciplines such as Lean and Six Sigma can be of value to identify opportunities and waste in the process. (This is **not** about reducing resources! It is about using what you have more efficiently and effectively.)

Business Model Maturity and PROCESS Improvement

– Supporting scalability and growth

Business Model Maturity & Evolution – The process by which the business organization progresses and evolves from a developing or start-up organization, with a single or limited set of products (core capabilities), into an optimized and mature organization, with a potentially broader and clearly defined set of products and goals.

It includes the ability to identify, communicate, measure and manage those goals to and for stakeholders and across the entire organization.	Where unmanaged change could disrupt key processes and individuals resulting in missed client deliverables and dissatisfied customers.

From a growth risk perspective, this represents places where a lack of clarity and direction, or the ability to quantify and measure against the goals and scorecard could cause significant failure points across a large part of the organization.

KPIs	*Governance*	*Financial and Internal Controls*	*Insourcing/ Outsourcing*

Examples of areas to highlight relative to assessing business model maturity and scalability

Wikipedia offers a definition of “capability maturity model” as follows: *“The term "maturity" relates to the degree of formality and optimization of processes, from ad hoc practices, to formally defined steps, to managed result metrics, to active optimization of the processes.”* This definition doesn’t just apply to software and IT organization, though that’s its most common use.

Employing a capability maturity model (CMM) is useful for assessing an organization against specific process maturity "levels". As such, CMM is a good framework for refining existing and/or developing new processes in support of scalability and growth. CMM levels typically range from "Initial" in which processes are ad hoc, to "Optimizing" where processes are well defined, precisely measured, and continuously being improved.

It is helpful to know where organization is relative to process maturity before crafting a scalability roadmap to support new growth, as described in the following reference guide:

Maturity Evolution	In Practice	Considerations
Level 1 – Initial **Organization is in start up mode, or introducing a new product or service to quickly take advantage of a market opportunity**	Processes ad hoc – success relies heavily on people/ leadership, supported with manual efforts and temporary "plug-ins" to existing structure.	The risk here is that an organization may decide to scale a new offering that seems to have garnered market interest, without understanding whether or not initial success can be repeated with additional volume using such informal processes.
Level 2 – Repeatable **Organization has successfully launched new offering and wants to ensure success with expansion is "repeatable"**	Continued reliance on manual and informal (ad hoc) processes, with focus on ensuring success via basic project management to track key performance metrics, costs, and functionality. Minimum process discipline is in place. Success relies on status and delivery being visable to management as established milestones.	This is a viable option when there is management discipline in place to avoid taking on more new business than can be effectively managed. With the right project management and leadership in place, the organization can support growth (expand customer base for a new offering) while working on establishing more formal processes.
Level 3 – Defined **Organization's set of processes for new product or service has established standards that can be improved over time**	Standard processes are in place to ensure consistency of offering. At this level, an organization may have decided to simply "automate" or harden manual processes that seemed to work well for the initial offering.	The catch here is to make sure that there has been enough attention paid to identifying areas for improvement, prior to formalizing, versus just "paving the cow path." In the rush to get a more formalized set of capabilities in place, having the discipline to take a step back will set the organization up for a more solid foundation in support of an aggressive growth agenda. Fewer mistakes will be made.

Level 4 – Managed **A formal set of processes and procedures are in place, associated with clear goals and objectives**	A refined set of key performance indicators (KPIs) have been developed. Using precise measurements, the organization can effectively control and have greater confidence in its ability to successfully grow regardless of whether growth is related to "new and different" or "bigger and better."	With this level of maturity management can more easily adjust and identify ways to adapt processes with greater predictablity and confidence. This supports the ability to get continued leadership support and funding in support of the organization's growth agenda.

Level 5 – Optimization **Focus on continually improving process performance via both incremental and novel (innovative) modifications**	Quantifiable process improvement objectives are set and continually revised to reflect changes in both the internal and external "environments." Defined processes and standard delivery protocols are both subject to measurable improvement efforts.	For a start up, AND for an established organization, this level of maturity supports a cultural orientation toward total quality improvement as well as continuous innovation.

Critical Process Change Levers

Regardless of where an organization falls relative to capabilities maturity, there are several common elements to consider as the scalability evaluation unfolds. In our experience, key among these are:

KPI's (Key Performance Indicators):

KPIs are important to re-visit at every level. With scaling, goals shift – e.g. may need greater efficiency; may need to harden/streamline manual processes or change them if they cannot scale; may need to check for competing metrics that lead to suboptimal behavior. A simple example of the latter is call center metrics around call time and throughput. A new offering may entail a different level of customer service that could increase call times. Measurement of call center performance will need to be modified to account for this.

Governance:

Establishing a revised governance process will facilitate the ability to prioritize what gets tackled first. This will entail revisiting who needs to be involved and re-evaluating key stakeholders (internal/external). It may also involve re-shuffling the existing organization and creating new "departments" and/or departmental alignment to support growth.

We suggest that clients create a way to score opportunities and barriers – taking what is "strategic and high investment" versus "fast and lower investment" weighting that against timing, cost, inter-dependencies, and customer value (what is impactful). Still more art than science, but can be accomplished in multiple ways. We find clients do not always have a process in place for doing this.

Financial and other Internal Controls:

When examining control, there are materiality considerations – with more volume, is there a need to re-visit certain financial and other metrics more frequently? An example might be protocols for reviewing high medical claims – is there a different threshold that should be used now? Are there new legal and/or regulatory compliance requirements that need to be factored into ROI considerations?

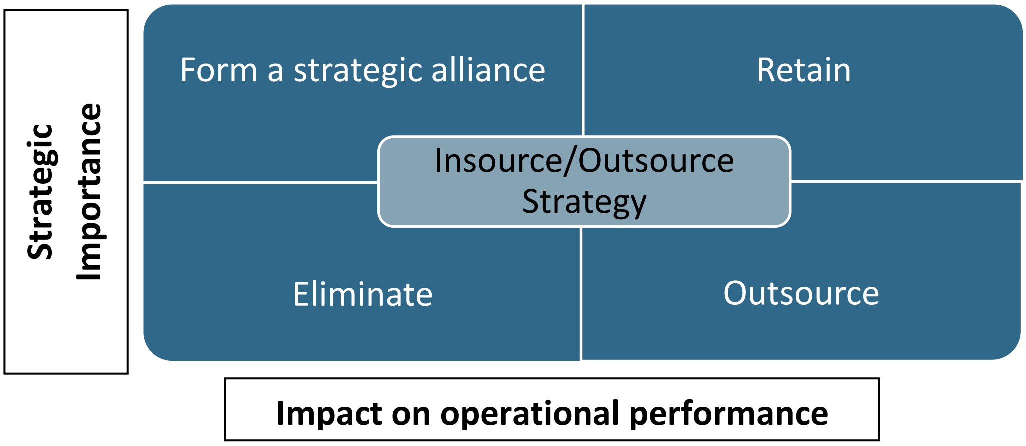
More attention should be paid to identifying downstream impacts as changes are made to design processes upstream. Standard operating procedures (SOPs) may be out of date – particularly where they are not well documented (e.g. for training and education of new employees). These will need to be reviewed and adjusted as needed prior to expanding market offerings beyond the initial launch.

What are the separate ways in which growth can be expected to strain the existing business, i.e. "what could go wrong" and how to communicate/address these risks. Having a more structured way to identify and address potential problems or failures and their resulting effects is useful before an adverse event occurs. Addressing potential "defects" can be prioritized based on their severity, expected frequency and materiality to the customer.

We recommend that clients assemble cross functional teams to conduct this type of evaluation, using a process flow chart or diagram – this can be useful whenever a given process is new, modified and/or applied in a unique way.

Insourcing/Outsourcing:

What should continue to be core to the business (short term versus long term); organization may need to strengthen discipline needed to evaluate vendors and vendor/partners.



We work hand in hand with our clients to develop criteria for this type of evaluation – creating a scorecard to address considerations such as:

Institutional Setting:

- Is this a functional part of core competency?
- Does service need to be provided on a continual basis?
- Can we legally outsource this service?

Risks:

- Would loss of control of this service harm the organization?
- Can quality and consistency of service delivery be assured?

Partnership (service provider) evaluation:

- Are there known external providers for this service?
- Do their mission and strategic goals align?
- Can the achievement of stated performance goals be objectively measured?

Conclusion

When embarking on an organizational journey to promote new products and services aimed at growth via innovation ("new and different") or expansion of current and/or modified operations ("bigger and better"), it is important to build a strong business case that includes a clear delineation of risks weighed against cost/benefits. A major component of that business case will relate to establishing and "hardening" new processes, and related ability to sustain successful delivery of customer value.

An optimal place to start is by conducting an evaluation of where organization stands relative to capabilities maturity (adapting the trademarked CMM model to process improvement is a useful framework for this). It allows for the establishment of a set of guideposts for creating a scalability roadmap focused on PROCESS and a way to better gauge what needs to be done first (as well as timing).

Regardless of where organization sits relative to capabilities maturity, it is also important to avoid falling into the trap of moving too quickly to make lasting changes to existing business processes, before taking the opportunity to pause and determine internal impacts and ability to make improvements proactively.

Paying attention to critical process change levers (KPIs, governance, financial and other controls) as well as insource/outsourcing considerations along the way is integral to creating a roadmap that lends itself to effective oversight and "predictability" of results.