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A BOLD NEW APPROACH TO **STRATEGIC TRANSFORMATION** FOR HEALTHCARE COMPANIES

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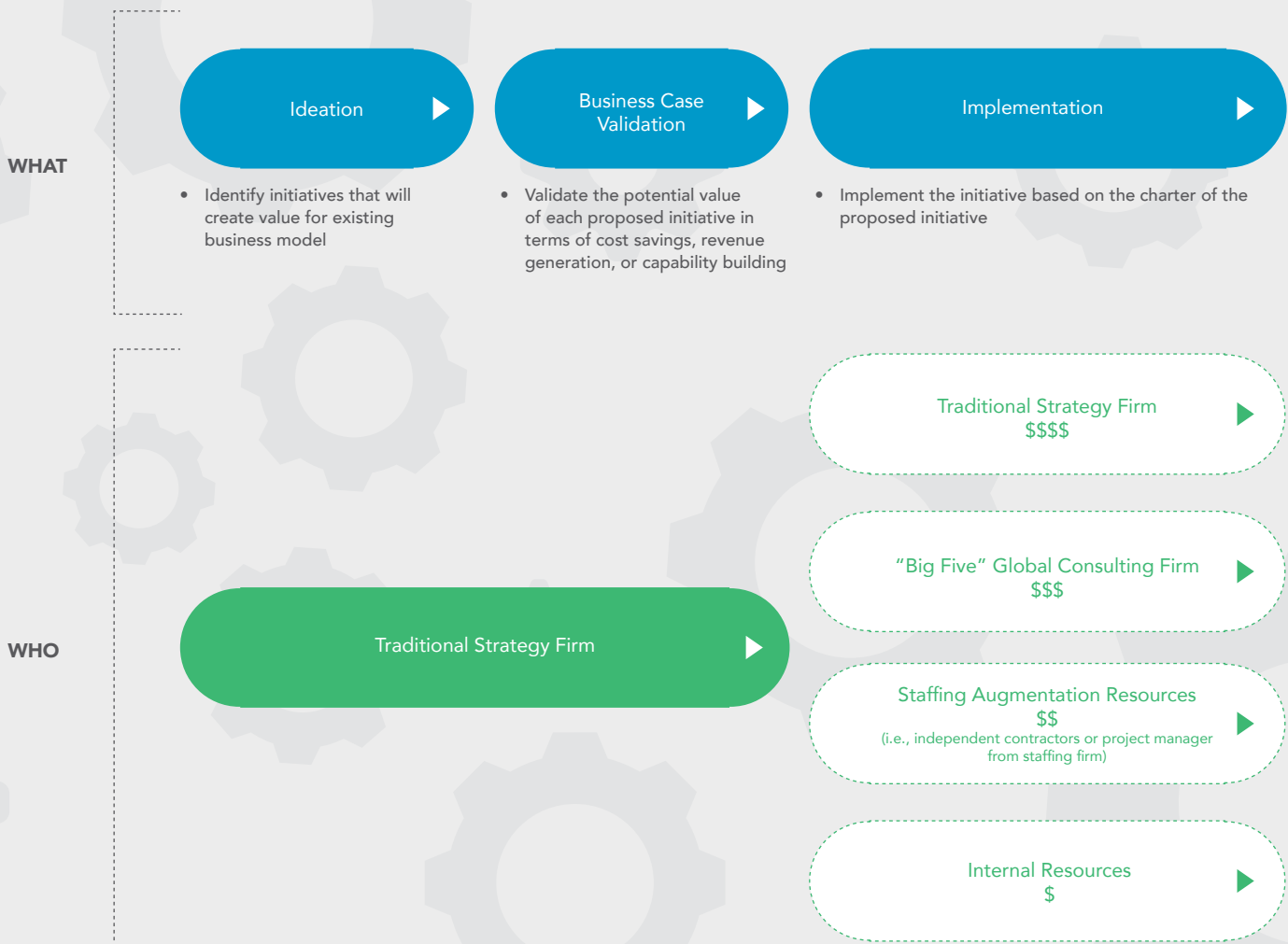
ABSTRACT

Many healthcare companies have attempted to use Program Management Offices (PMOs) to navigate transformational change. Unfortunately, traditional PMO models have fallen short in producing either realistic business cases and/or quality execution. The limitations of these models are insufficient for today's dynamic healthcare business environment. To overcome this, Vynamic has designed the Strategic Transformation Office (STO), a new model to help healthcare organizations develop and achieve pragmatic business cases, efficiently and flexibly deliver quality project outcomes, and ensure consistent business ownership from start to finish.

INTRODUCTION

The healthcare industry is again abuzz with potential seismic changes to the landscape. Inevitably, all healthcare companies need to plan for multiple possible outcomes, and many will be faced with large, strategically important transformational initiatives. Strategic planning and execution, therefore, must be a nimble and ever-evolving capability – a company's "point of the spear". Looking back, it's painfully clear that traditional Program Management Office (PMO) models have fallen short in producing both realistic business cases and quality project execution. To thrive in today's healthcare industry, a new paradigm for driving change is emerging. Let's first explore how healthcare companies typically manage portfolios of key projects.

In typical Program Management Office (PMO) models, there are three key stages: Ideation, Business Case Validation, and Implementation. These models often begin with hiring an expensive global strategy firm to do ideation - identifying and selecting projects with the greatest value potential. This is followed by business case validation with more detailed estimation and forecasting.

Traditional PMO Models

WHAT

Ideation ▶
- Identify initiatives that will create value for existing business model

Business Case Validation ▶
- Validate the potential value of each proposed initiative in terms of cost savings, revenue generation, or capability building

Implementation ▶
- Implement the initiative based on the charter of the proposed initiative

WHO

Traditional Strategy Firm ▶

Traditional Strategy Firm
$$$$ ▶

"Big Five" Global Consulting Firm
$$$ ▶

Staffing Augmentation Resources
$$
(i.e., independent contractors or project manager from staffing firm) ▶

Internal Resources
$ ▶

The strategy firm then hands off the business case to one of four types of organizations for implementation and benefits realization:

1 **Traditional Strategy Firm**
(same firm, typically handing off to a different team)

2 **"Big Five" Global Consulting Firm**

3 **Staff Augmentation Resources**
(i.e., independent contractors or staffing firm resources)

4 **Internal Resources**

Traditional PMO models are sub-optimal in today's world for several reasons:

1. COMPANIES OVERPAY TRADITIONAL STRATEGY FIRMS

As Harvard Business School professor Clayton Christensen noted in his article "Consulting on the Cusp of Disruption", pure strategy work only accounts for about 20% of the traditional strategy firms today. Therefore, companies are likely overpaying for work if strategy and execution phases are not clearly defined.

2. HANDOFFS INCREASE RISK

Traditional strategy firm teams often roll off after business case creation. Big Five, Staff Augmentation, or internal resources usually begin onboarding after business case approval, squandering momentum and risking misunderstandings and costly delays.[1] Moreover, Big Five firms tend to bring fixed "pyramid" staffing approaches to PMO efforts, mixing inexperienced analysts into teams to offset the exorbitant rates of senior managers or partners.

3. PLANS ALWAYS CHANGE DURING IMPLEMENTATION

When implementation doesn't match business case expectations, Staff Augmentation and Big Five firms can be hamstrung by a lack of context for the original business case objectives and intent. This can result in overspending through rework when recasting the business case is required. Alternatively, using internal resources can put projects at risk if resources are not fully dedicated to the PMO or if they do not have the right skill-set to drive detailed implementation plans.

4. LASTLY, TRADITIONAL STRATEGY FIRMS OFTEN PROVIDE RESOURCES THAT ARE NOT INDUSTRY-FOCUSED

This fresh perspective isn't inherently bad, but it often leaves blind spots or soft spots in a business case. Additionally, because the traditional strategy firm's high costs force them to be parachuted in for a short duration, they may short-change stakeholder engagement and may not have the right mindset, temperament, or context for making decisions in the long-term best interest of the organization.

[1] The cost of delays related to #2 above vary for each project, potentially ranging from $ thousands to $ millions, but can be estimated by calculating the difference in cost between types of resources x duration of delay + loss of sales or productivity. As it relates to #3 above, the cost of implementing a project with an outdated strategy and having to scrap it later is even more severe.

NEW MODEL – THE STRATEGIC TRANSFORMATION OFFICE (STO)

Underwhelming benefits realization, high costs and timeline delays all call for a fundamentally better way. Vynamic recommends a new model: The Strategic Transformation Office (STO). As the name implies, the STO focuses on strategic high ROI initiatives, whereas traditional PMO models often hold a broad portfolio of projects. The STO is built for speed and agility with a client first mindset - ensuring that companies maintain control of their most strategic projects. Each STO is designed to fit into the existing enterprise for as long as it's needed. It draws from healthcare industry focused resources starting with clients, and adding management consultants only where needed. This ensures a level of pragmatism needed to achieve actual savings, incremental top-line revenue growth and/or capability building. If management consultants are used, it's not in a traditional way - successful realization of business case benefits and full transition back to the business are the goals, focused on long term client success at every turn.

The STO is typically staffed with a mix of client and consulting resources, filling four key roles:

STO LEAD

Oversees the entire portfolio of projects to ensure the pipeline is filled with high-value projects, implementation is leading to benefits, staffing levels are optimized, and change management is embedded organizationally. Vynamic recommends that a client always plays this pivotal role to eliminate bias in determining mix of internal vs. consulting resourcing as well as to manage the long-term relationship with and to provide updates to senior leadership.

BUSINESS CASE LEAD

Drives ideation and validation of potential projects that can be weighed in terms of strategic priority and financial value. They source ideas from all levels of the organization, driven by business need.

INITIATIVE LEAD

Works with key stakeholders to create detailed plans and drive a project through implementation (benefits realization) phase; the Initiative Lead then rapidly transitions the work to business resources so it becomes part of business as usual (BAU).
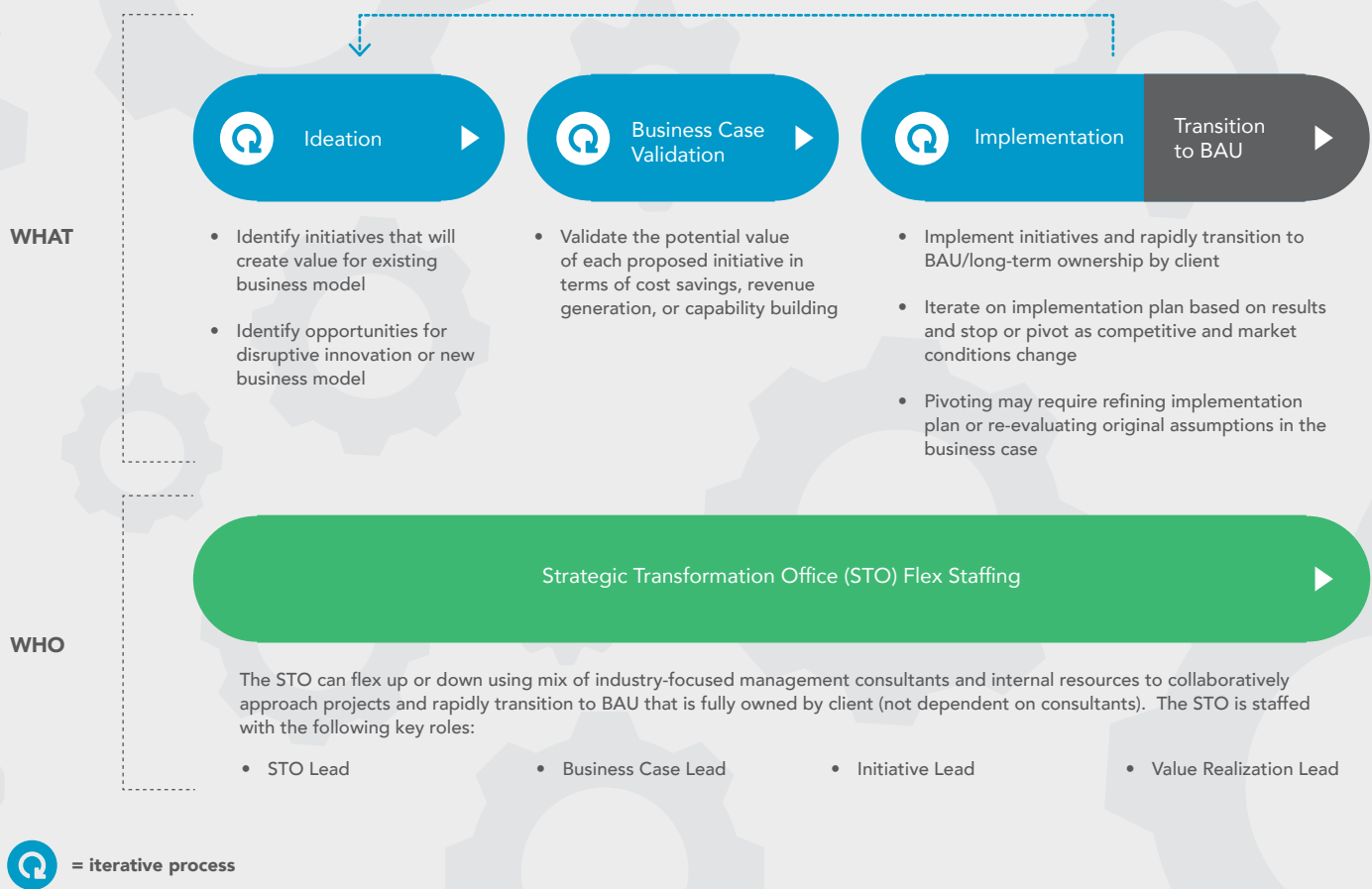
VALUE REALIZATION LEAD

Works across the portfolio of STO initiatives to set up key performance indicators (KPIs) that align with each initiative's business case. This embeds a structured process for quantifying and measuring attained value.

Through years of experience working with numerous world class healthcare clients, Vynamic sees several advantages of the STO over the Traditional PMO model:

» **SPEED AND AGILITY** – By using experienced, healthcare industry-focused resources, projects move faster and can adapt to change more easily.

» **BETTER "MOMENTUM MANAGEMENT"** – The STO is established before business cases are created, is in place well into implementation, and eliminates unnecessary hand-offs. Cross-functional stakeholders win in a model where relationships are strong, and trust is high.

» **PRAGMATIC, ACHIEVABLE BUSINESS CASES** – STO resources are continuous from ideation through to benefits realization, so there is much greater incentive to build business cases that can be achieved.

The New Model: The Strategic Transformation Office (STO)

WHAT

Ideation ▶
- Identify initiatives that will create value for existing business model
- Identify opportunities for disruptive innovation or new business model

Business Case Validation ▶
- Validate the potential value of each proposed initiative in terms of cost savings, revenue generation, or capability building

Implementation / **Transition to BAU** ▶
- Implement initiatives and rapidly transition to BAU/long-term ownership by client
- Iterate on implementation plan based on results and stop or pivot as competitive and market conditions change
- Pivoting may require refining implementation plan or re-evaluating original assumptions in the business case

Strategic Transformation Office (STO) Flex Staffing ▶

WHO

The STO can flex up or down using mix of industry-focused management consultants and internal resources to collaboratively approach projects and rapidly transition to BAU that is fully owned by client (not dependent on consultants). The STO is staffed with the following key roles:

- STO Lead
- Business Case Lead
- Initiative Lead
- Value Realization Lead

= iterative process

CONCLUSION

In a dynamic healthcare industry landscape, a robust strategic transformation capability is becoming a vital part of any thriving healthcare company. The Strategic Transformation Office (STO) model offers a flexible, cost-efficient, client centric approach using only experienced healthcare industry resources. Given the countless examples of overinflated business cases and underwhelming project execution associated with traditional PMO models, it's time for a new model to emerge.

To learn more, please review our <u>case study</u>, or contact <u>Vynamic</u>   ✉ info@vynamic.com   ☎ 888-VYNAMIC