

CASE STUDY
Innovation

ROLE
Project Management as Innovation Manager

SERVICE PROVIDED
Innovation Management and Member of the Advisory Board

SECTOR
Healthcare



Company Background:

The Spanish private health sector consists of four big players – the insurance companies, private hospitals, regional governments (healthcare in Spain is regulated by the region), and patients willing to pay a monthly fee for insurance coverage.

Every time a patient visits a private hospital, the insurance company pays a pre-negotiated fee to the hospital for the treatment provided. Occasionally, regional governments transfer patients from public hospitals to private ones, as the facilities are better, or there might be long waiting lists for urgent surgeries at public hospitals.

Additional revenue also comes in the form of private hospitals offering their services to patients willing to pay the hospital fees upfront without the involvement of insurance companies.

Considering the fact that public healthcare is free of charge in Spain, the private healthcare sector needs to add tangible value when it comes to their services like flexibility, short waiting lists, expertise of area-specific specialists and personalised customer attention. Nevertheless, the target clientele of a private hospital would very rarely switch to a public one and vice versa. Therefore, the main competitors are other private hospital groups offering their services in the market.

This Spain-based private hospital group has a total of nine centres spread all over the country, accounting for more than €200 million in turnover. It has a total of 2,000 permanent employees and an additional 2,500 to 3,000 contracted employees. The group occupies the third position in the national market in terms of revenues, occupying a leading role in the regional private sector in the eastern region of Spain, with a local market share of more than 40%.

The group's business model is based on the component of variable costs in each centre. It sells services to private consumers through pre-established fees with insurance companies, as seen above. At the same time, it rents out a majority of its products to medical staff, and earns a proportional fee for each treatment or operation undertaken. Therefore, private hospitals have to deal with four types of clients – insurance companies, regional governments, medical staff and patients. One of the most important factors in determining the hospital's profit margins was its ability to negotiate rates for each treatment with the insurance companies.

Throughout the 1970s, the group, whose clients had dwindled to just two hospitals, filed for bankruptcy. After months of negotiations, the company was able to convert its short-term debts with suppliers, employees and medical staff into capital, and therefore into group shareholders. The group remerged strongly from this situation by expanding its activity nationwide. Based on a very conservative business philosophy, the company worked towards small, but constant growth rates rather than complex merger operations which would make increase in business activity more difficult.



Challenges:

- 1: Set up a lasting innovation strategy, capable of providing guidance to the management
- 2: Reorganise the company to make innovation the key topic among the management and employees, creating an internal marketplace for innovation and value and outsourcing parts of the process to external partners
- 3: Redesign processes to make innovation the key action undertaken by the management and employees
- 4: Set up a guiding partnership able to support the need of change and introduction of innovation strategies to stay competitive in the future
- 5: Introduce an attractive incentive and reward system to management and employees to promote innovation

Solution Provided:

By the time apcore spoke to the newly appointed group CEO, the company was about to open two new facilities in Spain. The group wanted to stabilise its leading position in the regional market, as well as expand its business to a new region in the south of Spain.

Financially the group was very stable, but the CEO felt that the company wasn't delivering desired results to continue growing in the near future. Management was very complacent due to past success and not much innovation had taken place in the last 10-15 years.

apcore spent more than six months working with the CEO on a coherent innovation strategy plan for the next five years and divided it into a 'Play to Win' strategy and a 'Play Not to Lose' strategy for the group. The goal was to determine a lasting and understandable innovation strategy capable of providing guidance to the management in the future.

This document was presented to the board of directors to highlight the importance of innovation that need to take place.

After the plan's presentation to the board, apcore proposed a reorganisation of the management to accentuate the innovation process.

The group created a new management position to coordinate all innovation related issues, right from incubation platforms for new product to new product or process ideas till the implementation. For the first 18 months, a member of apcore took on this role.

Task forces among different departments were created and divided into those who were working on incremental innovation and those who were working on breakthrough innovations for technology and business model.

By creating an internal marketplace for innovation ideas, apcore proposed to use it to link it to external partners like medical technology suppliers, pharmaceutical companies and insurance companies. By doing this, it would achieve combined value by creating processes internally, as



well as tapping into the strengths of external partners by outsourcing parts of the innovation process to them.

The group redesigned its management processes to make innovation its central focal point, creating a sense of constant need for innovation in order to stay ahead of its competitors. The employees would constantly be kept updated on the new innovative technologies, processes and business models, as most of them worked in relation to the changes. Furthermore, the Innovation Manager held several meetings about incremental and radical innovation issues.

In addition to that, the Innovation Manager informed the management and shareholders about latest advancements in the sector and the importance of investing in several new innovation projects, to stay competitive in the future.

By having separate informative events for the management and the employees, after several months of differences, a guiding coalition between management and employees emerged, that was willing to actively support and push the innovation strategy in the years to come.

Alongside that, the Group set up a new rewards system to those who, either individually or as a team, successfully participated in the innovation processes, based on the output each unit or department produced during the year.

Return on services apcore provided to client:

These were the tangible results apcore generated for the client:

apcore provided the client with an Innovation Strategy Plan to determine the Group's long-term innovation, as well as change management goals. This plan, designed by apcore along with the CEO, was presented to the shareholders, management and workforce, and was implemented over the next few years within the various business units and departments. This resulted in a guiding coalition between management and employees. Furthermore, the group created ascendant and descendant information channels to transmit innovation ideas.

The group's business model was modified over the next few years after the introduction of the Innovation Strategy Plan. Each hospital ended up adapting its business model to its regional requirements converting it into a specialised centre and personalising its services. In addition to the group's day-to-day operations, a foundation to cover social events as well a platform for research and development was established.

In many of the hospitals, platforms were created with the suppliers and partners to test the innovative methods and products.

After 24 months, apcore handed over the Innovation Manager's position to an individual, elected by the Group's Advisory board as Manager, to continue the supervision of innovation within the company.

