



MODEL-TO-MODEL

A Business Model Framework for the Clinical Lab Industry

The Doorway to Clinical Lab Transformation



THE
REMODEL

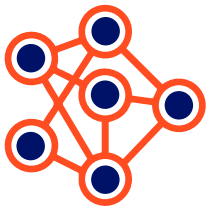
First, we must align on what a business model is and does

There are many definitions of business models, which makes innovating on existing or creating new models difficult ... particularly in industries with rich and entrenched histories.

“In sum, while plenty definitions of Business Model and Business Model Innovation are offered, it is simply unclear whether they point towards the same phenomena”

(Foss & Saebi, 2018)

There are three fundamental principles that should underpin any discussion on business model innovation or creation:



Business models are architectures ... not processes.



Business models outline how an organization creates, delivers, and captures value.



Business models accomplish these three value actions by enabling people, process, and technology to work as an Adaptive Platform.

Why is an Adaptive Platform Necessary?



Adaptive Platforms are necessary for business models to be sustainable, much less thrive.

It is true that every organization has people, processes, and technologies ...

few organizations have platforms. “Platform” helps us consider a number of parts working together ... it’s not one thing ... it represents many components working in concert. “Platform” connotes multi-functionality ... the ability to do

many things in a consolidated system. Finally, “Platform” also infers value creation ... its “value” is that it consumes inputs (often a diverse or shifting set of inputs) and converts them into outputs.

An Adaptive Platform is equally adept at three important functions:

Sensing:

Identifying unmet needs or value creation opportunities.

Seizing:

Connecting and collaborating with stakeholders to execute.

Transforming:

Re-aligning structure, enhancing process, aligning stakeholders, and reshaping culture.

Three Principles of an Adaptive Platform

- 1 Create synergy for each other and operate in alignment
- 2 Enable collaboration from external stakeholders
- 3 Enable the integration of and orientation to external stimuli

The key insight is that a “Platform” enables TRANSFORMATION ... without a platform, meaningful transformation is difficult.

“If value is trapped or an organization is not performing at its peak, it’s likely that these three things (people, process, technology) are misaligned to each other or to the strategy at large..”

The challenge for healthcare is “Transformation” not “Change”

Transformation is changing our “state of being”. Iteration and evolution are about accumulating change. Business models must help us adapt our “state of being”

(e.g., new capabilities, culture, etc.) not simply accumulate change (e.g., new knowledge, new technology, new processes, etc.)



Transformation Signals for the Clinical Lab Business Model

1

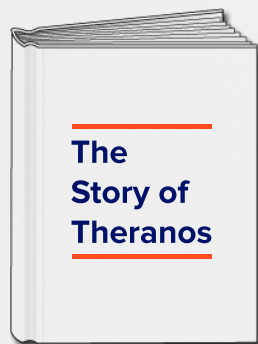
The Clinical Lab industry displays known indicators that indicate an industry is primed for disruption. These include convenience gaps, under-utilized technologies, and industry-wide inconsistencies.

2

Massive gaps in delivering “Value-based Care” remain:

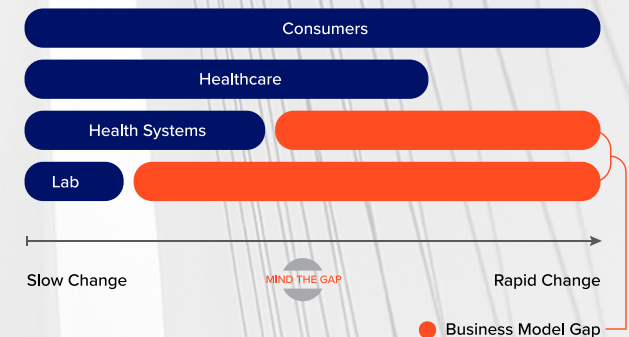
3

The “Pace of Change” outside of lab medicine and health systems is much greater the pace of change inside



- ✓ Optimizing clinical decisions
- ✓ Qualifying populations
- ✓ Engaging people and patients
- ✓ Population navigation through the optimal pathway (i.e., optimizing mROI for their patients while maintaining financial sustainability for their institution)
- ✓ Understanding costs

PACE OF CHANGE

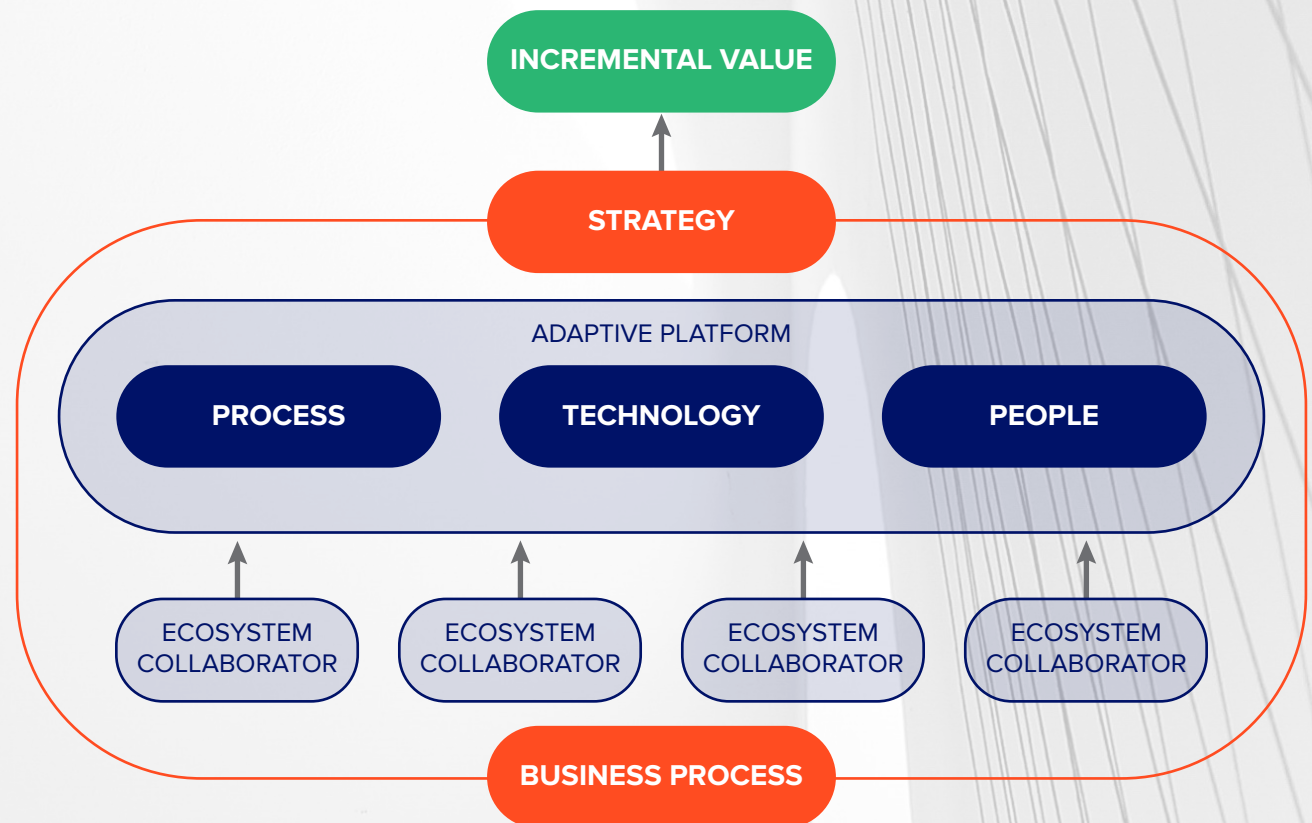


Value Creating Innovation (VCI) is the architecture to use for building a transformation oriented business model



We need a defined architecture for building, innovating, and managing the new Clinical Lab Business Model. One that enables successful orchestration and alignment of internal and external actors and continuously creates new value. Value Creating Innovation is an excellent architectural framework for building such a business model.

“Incremental value is key. The Clinical Lab has, and does, make a massive contribution to health and healthcare ... AND ... yes, this contribution is bigger than most clinicians and health systems appreciate or reward ... AND ... yes, it doesn't matter when it comes to our future.”



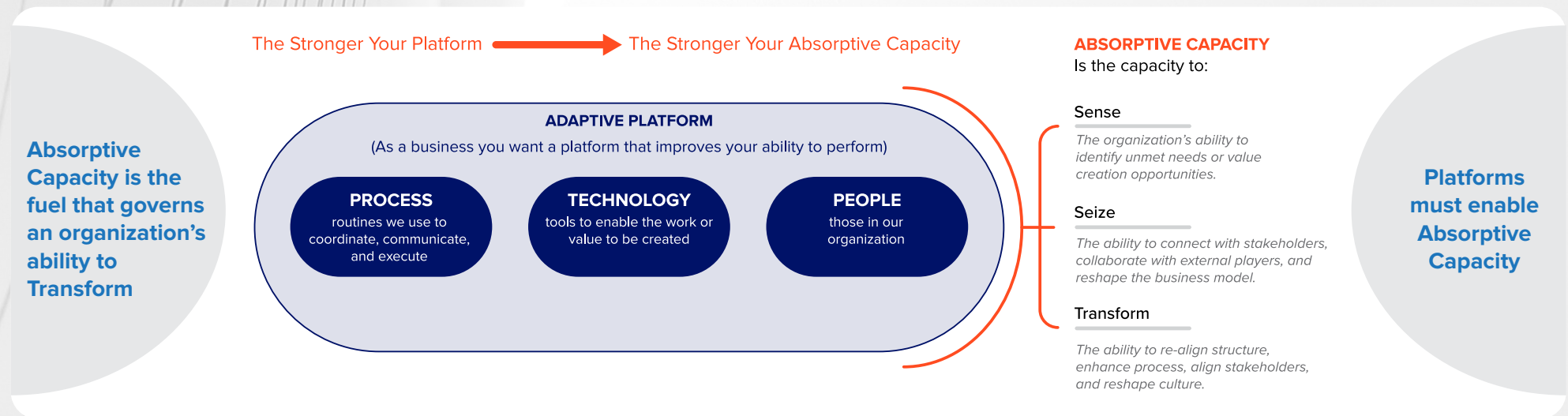
The New Clinical Lab Model must have a focus on Absorptive Capacity



When structuring the Adaptive Platform, building Absorptive Capacity MUST be the end game! Absorptive Capacity is the ability of the organization to look externally, assimilate new knowledge, and convert it into value for all stakeholders. It's the ability / capability of

the organization to learn. Absorptive Capacity is how we “change our state of being.” It's not a function of talent or intelligence ... it's a function of focus (i.e., prioritizing existing knowledge and process versus new/external knowledge and process change).

Many healthcare departments have low Absorptive Capacity. Not because of talent, but due to healthcare's historic and inertial emphasis on knowledge stocks. For those that do, including the Clinical Lab, this impedes their ability to transform.

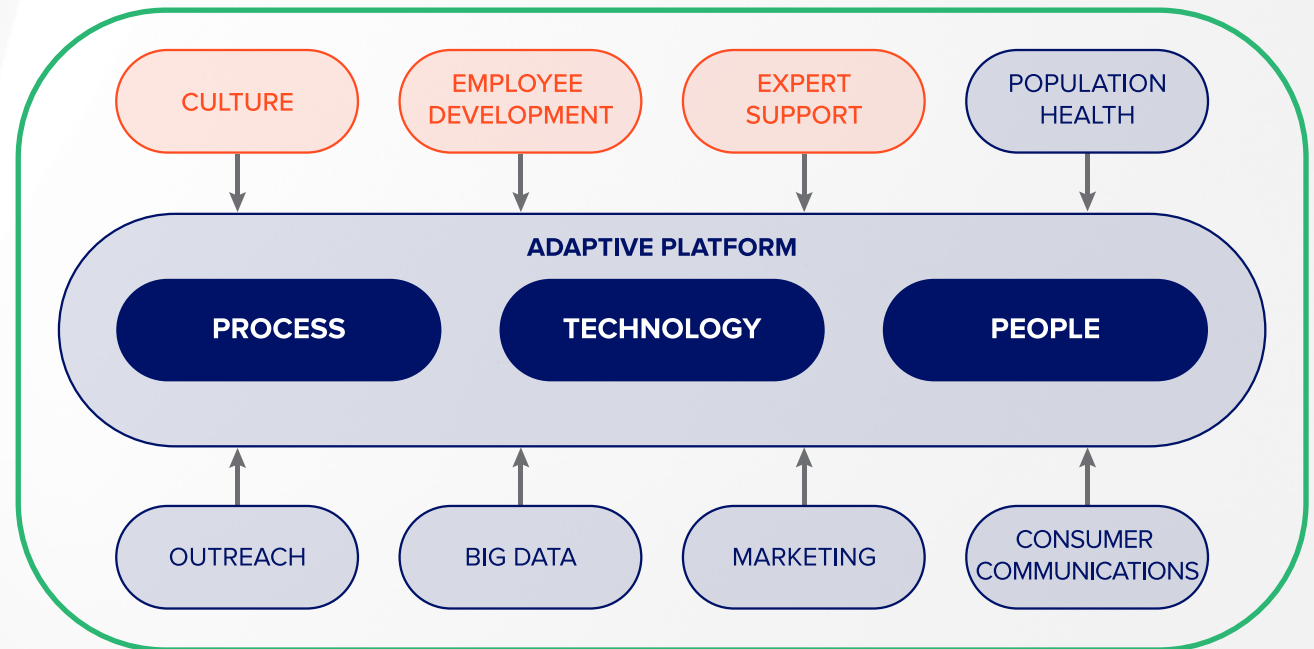


A great leadership mantra here is, “Lead people to be curious about the external environment, restless about the status quo, and ACTIVE in their work to learn, act, fail, solve, and repeat.”

Clinical Labs & Suppliers should leverage an “Ecosystem of Collaborators” to build Absorptive Capacity”

Organizations don't need to do everything on their own, not should they exclude from their business models things they can not or should not do themselves. They must collaborate with other organizations and experts to optimize Absorptive Capacity and maximize new value creation at speed.

“Businesses that operate within an ecosystem framework are more flexible, agile, and cost efficient than those that do not (Riquelme-Medina et al., 2021).”



EXAMPLE ECOSYSTEM

A mechanism for business model innovation is collaboration with an ecosystem of players.

Business Models must be managed through a robust Business Process

Like Quality Management, the Business Model (i.e., the Adaptive Platform that is sensing, seizing and transforming through by leveraging strong Absorptive Capacity built and enhanced with an ecosystem of collaborators) must be managed in a formal and dedicated manner ... this is called the Business Process. The Business Process is NOT a Business Review, it's a dedicated process aimed at continuous new value creation that effectively engages and aligns collaborators.

The business process considers three critical domains:

1 CADENCE

2 INTEGRATION

3 ADAPTATION

Said another way, business models don't work if you can't effectively and systematically engage, align, and manage the stakeholders critical to them.

Clinical Labs and Suppliers must “integrate” their respective business models (Model-to-Model)



Clinical Labs can not augment or optimize their model if Suppliers don't augment theirs and vice-versa. Currently, there is a significant gap/ misalignment between the respective business models. If Clinical Labs and Suppliers agree to co-embrace these four pillars, immense value will be unlocked.

“If Clinical Labs and Suppliers consider models, they may find extreme incremental value to be created, delivered, and captured from existing technologies and capabilities.”

“The pillars redirect us from what we sell or buy to how we are creating value downstream.”



To begin the Business Model Innovation Journey, there are Three easy actions for both Clinical Labs and Suppliers



Three Actions for Clinical Labs

1. Read “Easy Lab Leadership Actions to Implement” <https://www.labvinelearning.com/Blog/Read/easy-lab-leadership-actions-to-implement>
2. Tender and RFP for an Adaptable Platform vs. Product or Solution
3. Build Absorptive Capacity through a focused employee development plan and ecosystem

Three Actions for Suppliers

1. Build a servitization oriented platform
2. Invest in the absorptive capacity of your customers
3. Build Absorptive Capacity through a focused employee development plan and ecosystem





GET IN TOUCH

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**THE
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