

TOWARDS BUILDING A HOLISTIC MANAGEMENT FRAMEWORK TO DRIVE
GROWTH USING THE DISRUPTIVE INNOVATION THEORY – A PRIVATE
HEALTHCARE ORGANISATION CASE IN MAINLAND CHINA

A DISSERTATION SUBMITTED TO

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Abstract

The specialist and hospital based Chinese healthcare system has often been labelled as expensive, inconvenient, and inaccessible to its citizens. Since 2010, the Chinese government has launched numerous policies to promote primary healthcare, as the way forward, to reduce the healthcare cost burden and to focus more of its resources on chronic disease management and preventive health. While significant financial and human resources have been invested nationally in building and enhancing the primary healthcare infrastructure, healthcare costs per capita continue to rise, primary healthcare workforce remains unmotivated, and citizens continue to prefer going to hospitals as their first choice when they seek healthcare services.

The disruptive innovation theory proposed by Christensen suggests that one could position the Chinese hospital-based healthcare system as an incumbent that could be disrupted by new entrants. This research examines how a private healthcare organisation, UMP, had devised its expansion strategies in the Greater Bay Area by using such theory. The adoption of such theory was also examined under the Heart, Head and Hand framework, the 3H framework proposed by Yu, to assess on an ex-post basis the overall effectiveness of UMP's expansion plan.

Using a qualitative single case study design, data and observations from UMP's annual reports, media articles, semi-structured interviews conducted with existing employees, former employees and customers were collected, coded and analysed. The research shows that the disruptive innovation theory offers new lenses to examine the current problems faced by the Chinese government in its primary healthcare reform.

Further, using the 3H framework, on an ex-post basis, to assess the effectiveness of strategy implementation, the research suggests that (i) organisations must communicate its vision, mission and values constantly to attract, retain and recruit like-minded employees (the Heart element), (ii) disruptive innovation strategies at the corporate level must be appropriately communicated and further broken down into actionable sub-business unit strategies (i.e. the head element), and (iii) competences and on-going performance measurement for employees (i.e. the hand element) must be frequently examined to ensure the right skillsets are present and developed in its workforce. The research also shows that the presence of each of these elements on an individual basis is not sufficient. Organisations and leaders must holistically plan, and continuously monitor, the sufficiency and level of synergistic integration of each of these H elements within the organisation to ensure strategies are effectively communicated and implemented.

The research is the first of its kind in applying Christensen's disruptive innovation theory in the primary healthcare industry in Mainland China. It is also the first research to frame the disruptive innovation theory under the 3H framework, hence offering to managers of healthcare organisations in Mainland China a new holistic management framework for applying disruptive innovation theory in their business initiatives. The research also suggested that due to the highly regulated nature of the healthcare services industry, private organisations should actively engage the relevant government organisations as core stakeholders in their strategic planning.

Dedication and acknowledgements

First and foremost, I would like to thank Dr. Sun Yiu Kwong, founder, Chairman and Chief Executive Officer of UMP. Dr. Sun founded UMP in 1990 with the vision to deliver trusted, affordable and accessible healthcare services to the Hong Kong population. Such dedication to always do good and contribute to our society touched my heart when he invited me to join UMP in 2014. To this day, such vision continues to motivate me to take on the challenges in expanding UMP's business model in Mainland China.

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Finally, to all UMPeople, thank you for your dedication in jointly pursuing our vision of giving everyone access to trusted and affordable healthcare, so that everyone can freely pursue their dreams without worrying about their health!

Contents

Abstract	2
Dedication and acknowledgements	4
List of abbreviations	12
Chapter one: Introduction.....	13
1.1 The Chinese healthcare system is in urgent need to reform.....	13
1.1.1 China has evolved from PHC to hospital-based care.....	14
1.1.2 The Chinese population generally do not trust GPs	15
1.1.3 Current public health insurance system does not encourage PHC.....	16
1.1.4 Healthcare reform needs more GPs.....	16
1.2 Leveraging private enterprises to cause changes – the disruptive innovation theory and the 3H framework.....	17
1.3 Examining the implementation of disruptive innovation theories under the 3H framework through a single case study – UMP Healthcare.....	18
1.4 Research questions and aim	20
1.2 Structure of the research.....	23
Chapter 2: Literature Review	25
2.1 Introduction.....	25
2.1 What is the theory of disruptive innovation?.....	25
2.2 Challenges and critique of the disruptive innovation theory	30
2.3 Re-framing the disruptive innovation theory for application.....	32
2.3.1 Response strategies	33
2.3.2 A deeper understanding of the rate of disruption and the disruption process	36
2.3.3 Designing and defining the metrics in which disruptive innovation could be measured	37
2.4 Analysing the Chinese healthcare system under the disruptive innovation framework.....	39
2.5 Applying the 3H framework to disruptive innovation theory	45
2.5.1 A summary of the 3H framework	45
2.5.2 Examining the 3H framework under other management principles.....	47
2.5.3 The Hedgehog Concept	47
2.5.4 The Blue Ocean Strategy	49
2.5.5 The Balanced Scorecard and Strategy Map	51
2.6 Framing the disruptive innovation theory under the 3H framework	53

2.7 Research gap and conclusion	57
Chapter 3 – UMP Healthcare overview, external and internal analysis for formulating UMP’s strategies	59
3.1 Introduction.....	59
3.2 About UMP Healthcare Holdings Limited (“UMP”)	59
3.3 Vision and Mission.....	62
3.4 Financial performance analysis.....	62
3.5 Examining UMP’s internal environment under the Resource-Based theory framework	65
3.5.1 The Resource-based View for internal analysis	66
3.5.1.1 The question of value	67
3.5.1.2 The question of rareness	69
3.5.1.3 The question of imitability	70
3.5.1.4 The question of organisation	71
3.6 Examining UMP’s external environment under the PESTEL and Porter’s five forces framework.....	73
3.6.1 Political.....	73
3.6.2 Economic	77
3.6.3 Social-cultural	79
3.6.4 Technological.....	82
3.6.5 Environmental	84
3.6.6 Legal.....	84
3.7 Porter’s Five Forces Analysis	86
3.7.1 Bargain Power of Suppliers	89
3.7.2 Bargaining Power of Customers	91
3.7.3 Potential entry of new competitors	93
3.7.4 Threat of substitutes	95
3.7.5 Rivalry among competing firms.....	97
3.8 Summary of UMP’s SWOT	102
3.9 Implications for implementation of disruptive innovation theory	104
Chapter 4 – Disruptive Innovation Strategy Implementation at UMP.....	106
4.1 Introduction.....	106
4.2 Application of the disruptive innovation theory for the healthcare services sector	106

4.3 The disruptive innovation framework for primary healthcare development in Mainland China.....	108
4.3.1 The struggles of the patients (consumers).....	109
4.3.2 The struggles of the providers.....	116
4.3.3 The struggles of the payers	118
4.3.4 The disruptors' approach to primary care development in Mainland China.....	119
4.4 UMP's Mainland China expansion strategy.....	121
4.4 Chronology of key events for UMP China.....	124
4.5 Selling UMP China to private equity fund	131
4.6 Under the disruptive innovation framework, why did UMP sell UMP China?.....	132
4.7 Under the disruptive innovation framework, how does UMP China sees the disposal? ..	135
4.8 Summary.....	139
Chapter 5: Research methodology and design	141
5.1 Overview of methodology	141
5.2 Research question	141
5.3 Research paradigm and methodology	142
5.4.1 Documents reviewed	151
5.4.2 Interviews - Construction of Interview Outline	153
5.4.3 Site selection.....	154
5.4.4 subjects selection and description.....	155
5.5 Conducting the interviews	157
5.6 Data analysis.....	158
5.7 Reliability, validity and triangulation.....	160
5.8 Research ethics issues.....	162
5.9 Summary.....	165
Chapter 6: Research findings from semi-structured interviews	166
6.1 Introduction.....	166
6.2 Findings 1: Organisations must consciously communicate its vision, mission and values to its employees to generate alignment at the heart level.....	171
6.2.1 Staff express broad consensus that they resonate with UMP's vision, mission and values	172
6.2.2 Staff generally believes that trustworthy and affordable services could be achieved through UMP's mission of focusing on primary care	174
6.2.3 Staff members broadly resonate with UMP's stated values	176

6.3 Findings 2: Organisations need to have a history of competence in primary care, need to deliberately seek government policies support and be resilient with its strategic planning under the disruptive innovation theory framework	179
6.3.1 Building on parent company's competence and history as a leading Hong Kong primary care provider	180
6.3.2 Organisations must deliberately seek government's policy support for developing its primary care business	181
6.3.3 Organisations need to be resilient in sticking with its disruptive innovation planning	183
6.4 Findings 3: Organisations need to embrace the emerging strategy approach during its disruptive innovation journey	186
6.4.1 Organisations need to be in the market to identify and appreciate the genuine struggles and pain points faced by its potential customers	188
6.4.2 Whilst in the market, organisations must allow strategy to emerge gradually	191
6.4.3 Examples of emerging strategy: the GOLD education programme.....	193
6.4.4 Examples of emerging strategy: launching commercial health insurance products through using GOLD trained doctors and the PPP network.....	194
6.5 Findings 4: Organisations need to recruit team members who have prior healthcare industry knowledge. Organisations also need to deliberate recruit and train their team members to possess both (i) the start-up mentality and (ii) the growth mindset required for implementing disruptive innovation strategies.....	198
6.5.1 Given the nature of the primary care industry, staff generally need to have a healthcare industry background for better engagement and alignment	200
6.5.2 Staff recruited need to embrace and buy into the start-up nature of organisations engaging in disruptive innovation strategies	201
6.5.3 Staff recruited need to embrace the growth mindset to handle the emerging strategy nature of disruptive innovations	203
6.6 Findings 5: Organisations must be deliberate in frequently communicating, to its team members, the organisation's strategic plans to seek their engagement and alignment. Senior management must continuously take actions to monitor and integrate all of the 3H elements to holistically implement disruptive innovation strategies	206
6.6.1 Lack of frequent communications on strategy plans with team members will lead to misalignment, leading to potential team frustrations and staff turnover	207
6.6.2 To implement disruptive innovation strategies, organisations must be set up independently to execute new initiatives, as predicted by Christensen.....	211
6.7 Summary of findings to our research questions	214
Chapter 7: Discussion and conclusion	216
7.1 Discussions and findings	216
7.1.1. The heart element: team members must be aligned in purpose, vision and values	216

7.1.2 Disruptive innovation need a set of core believers and an established organisation culture.....	217
7.1.3 The Head Element: confidence in staying the course with the disruptive innovation strategy is required, but further business units and functional units strategies must also be formulated, integrated and adequately built.....	218
7.1.4 Healthcare service is a long-term business that requires long term commitment.....	219
7.1.5 Disruptive innovation need separate organisations and dedicated shareholders to implement	220
7.1.6 3H is a fluid concept - The integration of each of the 3H elements are important for effective implementation of disruptive innovation strategies	221
7.2 Research significance and implications for managerial practice	224
7.3 Research limitations.....	225
7.4 Directions for future research	226
7.5 Conclusion	227
Appendix A: list of UMP Healthcare Holdings Limited published annual reports and presentations used and reviewed.....	231
Appendix B: Semi-structured interview questions	233
Appendix C: Subjects interviewed	235
Appendix D: Research Consent Form.....	239
Bibliography	243

FIGURE 1 - SUMMARY OF THE 3H FRAMEWORK - REFERENCE: (YU, 2019).....	46
FIGURE 2 - 5 LEVELS OF LEADERSHIP - EXTRACTED FROM GOOD TO GREAT (COLLINS, 2009A)	48
FIGURE 3 - SUMMARY OF THE HEDGEHOG CONCEPT (COLLINS, 2009A).....	49
FIGURE 4 - UMP AT A GLANCE.....	60
FIGURE 5 - RANGE OF HEALTHCARE SERVICES PROVIDED BY UMP	61
FIGURE 6 - SERVICE FEE MODEL BETWEEN UMP AND ITS BUSINESS CUSTOMERS	62
FIGURE 7- KEY PROFIT AND LOSS ITEMS IN FY2022 VS FY2021	63
FIGURE 8 - SUMMARY OF CORPORATE CUSTOMER SERVED BY UMP	69
FIGURE 9 - UMP CORPORATE VALUES AS EXTRACTED FROM UMP'S INVESTOR PRESENTATIONS IN FY2019	71
FIGURE 10 - DESCRIPTION OF INTERNET HEALTHCARE PLAYERS IN MAINLAND CHINA	96
FIGURE 11 - ANALYSIS OF UMP UNDER THE RESOURCE-BASED VIEW FRAMEWORK.....	99
FIGURE 12 - ANALYSIS OF UMP UNDER THE PESTEL FRAMEWORK.....	100
FIGURE 13 - ANALYSIS OF UMP UNDER THE PORTER'S FIVE FORCES FRAMEWORK	101
FIGURE 14 - CHRONOLOGY OF KEY EVENTS FOR UMP CHINA	130
FIGURE 15 - SUMMARY OF UMP CHINA FINANCIAL AND OPERATING PERFORMANCE SINCE UMP'S IPO IN NOVEMBER 2015	130

List of abbreviations

Term	Meaning
“CHC”	Community Health Centres
“Disruptive innovation” or “disruptive innovation theory” or “disruptive innovation theory framework”	The disruptive innovation theory is a set of principles proposed by Christensen in examining, under specific circumstances, why established businesses could not promptly respond to new business model disruptions coming from less established and funded enterprises, and usually unable to respond to such challenges until such disrupters are able to keep improving their products or services offering to eventually displace the well-established businesses from their markets. Please see chapter 2 – Literature Review for more detail
“GOLD training programme”	The General Practice Oriented Learning and Development programme founded by UMP China in 2017
“GP”	General Practitioner, or family doctor
“Greater Bay Area”	The Greater Bay Area represents a geography of 9 cities in the Guangdong Province plus the special administration region of Hong Kong and Macau. The Greater Bay Area was established by the Central Government of the People’s Republic of China in 2019 to form a world-class city cluster that will play a leading role in global innovation, finance and trade, with the strategic goal to become an economic powerhouse that will be comparable, or even surpass, leading bay areas across the globe, such as the Greater Tokyo Bay, San Francisco Bay Area, and New York Metropolitan Area
“Heart, Head and Hand framework” or the “3H framework”	The 3H framework by Yu posits that the level of holistic management hinges on the level of synthesis created among the integration of the Heart, Head and Hand domains. The 3H framework provides a mental framework for managers to synthesis all 3H domains together to effectively and efficiently develop and implement strategies and business plans
“Low end consumption”	Low end consumption represents a category of customers who either (i) could not afford to pay for the services or products provided by well-established organisations or (ii) well established businesses do not wish to serve such customers as they are usually of lower profit margin, but which potential disrupters would be willing to serve
“Mainland China”	Mainland China refers to the People’s Republic of China but excluding the special administrative regions of Hong Kong and Macau
“Non consumption”	Non consumption refers to potential customers that are simply not served at all by the current product or service offerings by well established businesses
“PHC”	Primary Health Care
“UMP China Management Team”	UMP China Management Team refers to management team members of UMP China
“UMP China”	UMP Healthcare China Limited, a non wholly owned subsidiary UMP until December 22, 2021
“UMP Management Team”	UMP Management Team refers to management team members of the Parent Company
“UMP” or “Parent Company”	UMP Healthcare Holdings Limited, a company listed on the Hong Kong Stock Exchange since 2015, stock code 722:HK

Chapter one: Introduction

1.1 The Chinese healthcare system is in urgent need to reform

The accessibility and affordability issues surrounding the Chinese healthcare system have, unfortunately, remain unresolved for the past decades. Significant research has been conducted with suggestions on how the Chinese government should address these challenges. While certain progresses have been achieved, evidence suggests that most Chinese citizens continue to doubt the effectiveness of the current primary healthcare system (Hu et al., 2008). More recently, especially after the outbreak of COVID-19, the Chinese government has announced various policies to encourage greater private capital and technology participation in the primary healthcare reform.

The majority of the Chinese population are not content with the Chinese healthcare system (Wee, 2018). Mainland China's healthcare system has evolved to become primarily based on specialists, is hospital based and is centered on the curing of diseases, with lack of attention on preventive and community care, and with most of the Chinese population believing that only hospitals have qualified doctors to deliver healthcare services.

While Mainland China's GDP had grown at around 9.4% CAGR per annum (2010-2020)¹, healthcare expenditure in Mainland China has grown at a much faster pace of around 13.7% CAGR per annum (2010-2020)², with Mainland China's overall healthcare

¹ See section 3-1 "Gross Domestic Product" <http://www.stats.gov.cn/tjsj/ndsj/2021/indexeh.htm>

² See section 22-19 "total healthcare expenditure: <http://www.stats.gov.cn/tjsj/ndsj/2021/indexeh.htm>

expenditure in 2020 representing 7.1% of Mainland China's 2020 GDP (2010: healthcare expenditure was at 4.85% of Mainland China's GDP). Exacerbated by an ageing population and increasing prevalence of non-communicable chronic diseases such as diabetes and hypertension, the Chinese government has declared a national strategy to reform its healthcare system into one that is more primary healthcare based, with General Practitioners ("GPs", also known as family doctors in Mainland China) playing more significant roles in adopting a patient-centred approach to health and disease management³.

1.1.1 China has evolved from PHC to hospital-based care

General practitioners ("GPs"), also known as family doctors, are the most critical workforce that work closely with other primary healthcare workers such as nurses and public health staff to deliver efficient and effective Primary Health Care ("PHC") to populations. PHC refers to the first point of contact between healthcare organisations and individuals seeking healthcare services. An effective PHC system goes beyond just delivering curative care. A functioning PHC system also emphasizes disease prevention and health promotion, aiming to divert patients from seeking care from hospitals⁴ and keeping the population healthy.

It has been shown that increased investments in primary care delivery can lead to reduction in utilisation of secondary (i.e. specialists care) and tertiary care (i.e. hospital

³ See the PRC government news at <http://www.nhc.gov.cn/gjyjs/s7937/201904/af2a67d86e8749a7b53ddfdde6f563e3.shtml>

⁴ See research summary published by the Bauhinia Foundation http://phc.bauhinia.org/assets/docs/Executive_Summary_20190910_ENG.pdf

based care), leading to a decrease in healthcare costs for our society as a whole⁵. Ironically, Mainland China was one of the earliest countries globally to recognise the importance of PHC. In the 1950s to 1970s, the “barefoot” doctors were playing important roles in health maintenance, acting as first point of contact with patients and population. However, as part of Mainland China’s economic reform, starting in 1978, the healthcare system in Mainland China became market oriented, hospitals became self-funded and gradually became specialists based, with sources of revenue based on a fee-for-service model. Such model led to increasing out of pocket expenses for the population and had inadvertently promoted unnecessary prescription of investigative services and drugs as a whole (Wang et al., 2015).

1.1.2 The Chinese population generally do not trust GPs

There continues to be a lack of awareness in Mainland China about the roles and functionalities that can be performed by GPs and CHCs. Chinese patients generally seek medical care from hospitals as they believe doctors in hospitals are better qualified and trained (Liu et al., 2018). In a cross-sectional survey study conducted by Liu (Liu et al., 2018), out of the 565 participants responding to questions on their knowledge of GPs, 67% of the respondents believe that GPs should be handling Common and Frequently Occurring Diseases (“CFOD”), but only 11.3% of the respondents rated the GP’s technical capability in solving CFOD as “good”, with 26.4% rated “poor” and 62.3% rated as “do not

⁵ World Health Organisation website: https://www.who.int/docs/default-source/primary-health-care-conference/phc---economic-case.pdf?sfvrsn=8d0105b8_2

know”. The general population’s lack recognition of GPs is a significant hurdle to the healthcare reform in Mainland China.

1.1.3 Current public health insurance system does not encourage PHC

Of all the challenges facing Mainland China’s healthcare reform, the two most significant issues are (i) the payment system for healthcare and (ii) the long-term infrastructure for the development of an effective PHC workforce (Organization, 2019).

First, the current public health insurance system in Mainland China inadvertently encourages patients to seek help, regardless of the severity of their illnesses, at hospitals. This has led to hospitals accounting for more than half of all outpatient visits across Mainland China (Yip et al., 2019).

Second, there is a lack of infrastructure for the training and sustainability of PHC workforce, primarily on the training of GPs and PHC nurses. Numerous researches have examined the relationship between stability of the family doctors and the quality and delivery of healthcare, showing that significant number of family doctors in Mainland China are reporting large workloads, job pressure and with high turnover intentions (Shi et al., 2013). Motivating factors for family doctors to improve their performance were examined, which include working conditions and income, living environment, benefits, professional development and training opportunities (Hung et al., 2013).

1.1.4 Healthcare reform needs more GPs

The Chinese government recognizes the challenges stated above and has already issued numerous policies to promote the development of PHC, committing significant funding, especially in relation to (i) the recruitment, training, development and retention

of GPs to work in Community Health Centres (“CHCs”) across Mainland China and (ii) setting up more CHCs across Mainland China to provide general outpatient care, chronic disease management, immunisation services, health promotion and family planning services. Despite such concerted effort, there are still not enough family doctors joining and staying in the PHC workforce (Ng et al., 2020, Millar et al., 2017, Li et al., 2014, Zhang et al., 2015), meaning that the Chinese government will likely face challenges in meeting its goal of 5 family doctors for every 10,000 by 2030 (China, 2018).

1.2 Leveraging private enterprises to cause changes – the disruptive innovation theory and the 3H framework

Private enterprises have often caused innovations that disrupt established industries, creating products and service models through serving customers with lower priced but inferior products as compared to market incumbents, or by serving non-consumers with products or services that such non-consumers have gone without in the past. This type of innovation, termed the *disruptive innovation theory*, has been extensively researched by Clayton Christensen since 1997 (Christensen, 1997). Christensen asked the question, why it is that great companies that are well managed and well capitalized, continuing to better serve its customers with superior and higher margin products, nevertheless are eventually disrupted but without taking any actions to stop such disruption from happening.

Through extensive study of industries and case studies of selected enterprises, Christensen examined the factors required for enterprises to cause disruptive innovations, as well as why enterprises might fail to respond to disruptive innovations coming from

smaller competitors. Christensen laid out suggested strategies for how organisations can implement disruptive innovations, including how private enterprises may use disruptive innovation theories to cause changes in the healthcare industry, including causing disruptions to how governments should operate their healthcare services (Christensen et al., 2010).

Central to Christensen's practical implementation of disruptive innovation strategies is the importance of senior executives to motivate its team members to persevere through the journey of disruptive innovations. Other factors required for *effective implementation of strategies* have also been examined by Yu, where Yu argues, through the metaphorical expression of the Heart, the Head and the Hand (the *3H framework*)(Yu, 2020), that organisations must acknowledge, address and integrate these three elements when implementing changes or new initiatives (i.e. disruptive innovations) in an organisation.

1.3 Examining the implementation of disruptive innovation theories under the 3H framework through a single case study – UMP Healthcare

UMP is a Hong Kong based healthcare maintenance organisation ('HMO') founded in 1990. Founded and managed by a group of doctors, UMP has been a consolidator, coordinator and administrator of many doctors in providing custom-made health management plans to (i) employees of corporates and (ii) policy holders of insurance companies. From a humble beginning, UMP now delivers healthcare benefits management to over 1 million members annually, administering more than 10,000 health plans and delivering more than 1.1 million outpatient visits through its more than 1,100

doctors and services providers located across Hong Kong, Macau and various regions in Mainland China⁶. In 2018, UMP seized the opportunity to expand its businesses into the Greater Bay Area.

The researcher joined UMP in 2014 and had witnessed first-hand how UMP had planned its disruptive innovation strategies for its expansion into the Greater Bay Area. Under the disruptive innovation theory framework, UMP had positioned the Chinese hospital healthcare system as an incumbent that could be disrupted by UMP's primary healthcare focused business model. UMP has been one of the first mover to see through the core issues faced by the Chinese healthcare system, and has expanded its business into a new undefined market of providing various services and products to both the supplier (i.e., providers, which include doctors and nurses) and user side of the healthcare system (i.e., patients and payers). For example, UMP had launched many firsts in the Chinese primary healthcare system, including live on demand tele-GP consultations, international accredited GP training programmes and forming public private partnerships with government community clinics.

UMP China had expanded very quickly since 2018. From an initial yearly revenue of less than RMB200,000, training 11 doctors and co-managing 1 public private partnership clinic in 2018, UMP China now has a yearly revenue of approximately RMB10 million, training over 1,700 doctors and nurses and co-managing more than 100 public private partnership clinics in 2022.

⁶ Please note that for ease of explanation, China is used in this report as referring to UMP's operations and market in China *excluding* the Hong Kong and Macau operations

Single case study offers detailed retrospective reflections and forward looking analysis

The researcher has actively participated in the initial strategic planning for UMP's entry into the Mainland China market since 2014, assuming the role of Head of Corporate Strategy & Development at UMP. In 2019, the researcher assumed the role of CEO at UMP China, with the responsibility to continue to drive forward the implementation of such strategies in the Greater Bay Area. The researcher continues to serve as the CEO of UMP China as of the date of this research.

This single case study research offers first-hand and detailed insights from the CEO and his management team, and include their detailed reflections and thinking that offers both retrospect and forward looking analysis. This research aims to examine, through a longitudinal study since 2018, on how UMP had planned and executed its disruptive innovation strategies for its expansion into the Greater Bay Area. This research also aims to assess the effectiveness in the implementation of such strategies under the 3H framework. A *constructionism / grounded theory* approach to this research is adopted to see how these theories could be contextualised for private healthcare organisations.

This research approach itself has had precedents. Professor Clayton Christensen himself was accredited with adopting and contextualising such theories into the publication titled the "Innovator's Prescription – a disruption solution for health care" (Christensen et al., 2010).

1.4 Research questions and aim

This single case study research aims to examine how UMP had applied the disruptive innovation theory in its expansion plans. The central research question is: “How could managers holistically implement disruptive innovation strategy to drive growth in the primary healthcare industry in Mainland China?”

To answer this central question, the following questions were formulated after conducting pilot studies with selected UMP employees:

1. The heart element: how could organisations motivate its working team to believe in disruptive growth?
2. The head element: How could organisations build their differentiated competence in primary care in Mainland China under the disruptive innovation theory framework?
3. The head element: How could organisations implement disruptive innovation strategies?
4. The hand element: How could organisations consciously develop the competences required in team members for implementing disruptive innovation strategies?
5. The heart, head and hand integrated together: how could the 3H elements be integrated to support the implementation of disruptive innovation strategies?

Through critically analysing the answers to these questions, it is hoped that new insights, observations and reflections, and from such, an enhanced holistic management

framework can be developed for applying the disruptive innovation theories in advancing the development of PHC in Mainland China.

1.2 Structure of the research

This research is divided into 7 chapters:

Chapter 1 – *Introduction* – this chapter provides an overview of the context for this research, the research objectives and the research questions involved;

Chapter 2 – *Literature review* – this chapter provides an academic analysis of the disruptive innovation theory and the 3H framework;

Chapter 3 – *UMP overview* – this chapter provides an overview of UMP, setting the context in which UMP had planned its expansion strategies for the Greater Bay Area. This chapter also conducted a detailed internal and external analysis of UMP from the researcher's perspective;

Chapter 4 – *An account of the implementation of disruptive innovation at UMP* – this chapter provides a detailed analysis, from the researcher's perspective, on the strategic rationale and analysis behind how the disruptive innovation strategies were planned and implemented;

Chapter 5 – *Research methodology and design* – this chapter sets out the basis for why a single case study was chosen as the research method. This chapter also describes the processes and check points involved in designing and conducting semi-structured interviews with UMP employees and other stakeholders;

Chapter 6 – *Research findings from semi-structured interviews* – this chapter sets out the findings from the semi-structured interviews conducted with UMP's employees and

stakeholders. The findings were summarized into 5 findings that were then analysed in chapter 7; and

Chapter 7 – *Discussion and conclusion* – this final chapter sets out the researchers' learning from the research, the implications for managerial practice as well as directions for further research. The chapter also sets out the final conclusion for this research.

Chapter 2: Literature Review

2.1 Introduction

The academic construct of disruptive innovation has been researched and debated extensively in the past two decades (Christensen et al., 2018). Given the broad construct of disruptive innovation, for example, how disruptive innovation can lead to corporations maintaining its competitive advantage, disruptive innovation as a deliberate corporate strategy, disruptive innovation as a framework for forecasting the success and failure of incumbents and new entrants, it is necessary to review the history of and defining the construct of what disruptive innovation is and what it is not, examine the latest academic researches and on-going debate of disruptive innovation, identify the research gap and areas for further research.

2.1 What is the theory of disruptive innovation?

The idea of disruptive innovation was first introduced by Clayton Christensen along with Bower in 1995 in an article titled “Disruptive Technologies: Catching the Wave” (Bower et al., 1995). In such article, Christensen set out to examine a frequently observed pattern of how incumbents have failed to respond to changes in technologies and market preferences, creating vacuum for new entrants to enter the market through what initially was an inferior product and technology, serving low end customers at lower margins within the incumbents’ value network (Christensen et al., 2013), or serving non-consumers which the incumbents were not serving (Govindarajan et al., 2006), but which as the new inferior product and technologies continue to improve, and the new entrants start to serve markets that overlap with the markets of the incumbents, the incumbents

typically then respond by retreating to serving higher margin customers (Adner et al., 2006), until eventually the new entrants go as far as to disrupt the incumbents altogether (Christensen, 1997).

Christensen opened with the overarching question of why it is that great companies that are well managed and well capitalized, continuing to better serve its customers with superior and higher margin products, nevertheless are eventually disrupted but without taking any actions to stop such disruption from happening. The dilemma, put more simply, is that well intentioned and good managers, who were doing things right by all accounts, ultimately led to them doing the wrong thing. Christensen explained his theoretical framework under the five principles of disruptive technology (Christensen, 1997):

1. Companies depend on customers and investors for resources to thrive and survive, therefore a firm's ability to implement strategic changes in an organisation to address potential disruptions is constrained by the interest of its existing customers and investors (Pfeffer et al., 2003) (but it is noted that other researches have however shown that the presentation of the disruption as a threat or opportunity could lead to a different responses by companies (Gilbert, 2005));
2. Small markets do not solve the growth needs of large companies;
3. Markets that do not exist yet cannot be analysed;
4. An organisation's capabilities define its disabilities – a company's competence could mean that it is difficult for it to build new competencies in the face of disruptive innovation. While Christensen has been advocating the importance of senior leadership in being cognizant of the opportunities and threats of disruption

innovation, Christensen acknowledges it is important to examine beyond senior management cognitive responses to disruptive innovation and acknowledge how a firm's competence, competency traps and organisational culture provides explanations on how firms might or might not respond to disruptive innovations (Henderson, 2006b); and

5. Technology supply may not equal market demand.

In addition to the five principles stated, Christensen also specifically defined sustaining innovation and disruption innovation as follows:

1. *Sustaining innovation* – where well managed companies continue to develop technologies that improve the performance of their products in serving the existing demands of their customers, with the goal of listening to your customers intently and exceeding customer's expectations, defending market share or increasing profit margins; and
2. *Disruptive innovation* – when the technology first appears, the attributes, functions and value proposition are lower and inferior to what the mainstream customers would focus on, but which provide some other functions that low end or new customers would value. These kinds of technologies generally have less functions, but are smaller, cheaper, more convenient to use and serve the basic jobs that the low end and new customers need to get things done (Markman et al., 2014). These technologies will, with time, gradually improve their functionalities and performance until eventually becoming the same as the technologies offered by the incumbents. Disruptive innovation must also be analysed *relative* to a

company's own business model and the business models in which the firm competes in (Kapoor et al., 2015, Christensen et al., 2013).

Christensen defines *technology* broadly as a process in which a company converts its resources (capital, labour, information) into products and services of ultimately greater economic value. The usual belief that disruptive technology only comes from companies that have significant investments in research & development is therefore not a prerequisite for the application of the disruptive innovation theory. The word technology here therefore broadly applies to the design of business models and a re-examination of the resources, processes and priorities that organisations could align to address the emotional, functional and social elements for purchase and usage. For example, in examining the US healthcare system, Christensen defined the use of video conferencing for consultations with home medical delivery (i.e., telemedicine) as a *technology* that could be used to disrupt the traditional approaches of chronic disease management. Here, the technology of tele-conferencing has been used in day-to-day meetings and such technology can hardly be said to be revolutionary. However, the application of tele-conferencing in consultations, coupled with home delivery of medication, when used from the context of resolving the struggles of the users (i.e. easier access to healthcare providers) and the doctors (i.e. easy rostering and access to available vita data on screen) creates a new market that could disrupt the traditional business model of having patients doing regular physical visits to their doctors for routine prescriptions (Christensen et al., 2010). The ability of managers to view technology as a broader concept is an especially important interpretation, as it allows firms to have a holistic assessment and confidence

that small firms, especially start-ups that do not have the significant resources, still have the potential to cause disruption.

Christensen used extensive case studies over the years to explain and expand his disruptive innovation framework, and in the process, Christensen has provided further elaborations as guidance for managers to think about what could cause, how to cause and how should one react to forces of disruptive innovation. Christensen proposed certain action framework that managers could implement:

1. Give responsibility for disruptive technologies to organisations whose customers need them so that resources flow to them. Allow the independent organisation with new leadership to establish its own resources, processes and values/priorities to create a new value network (in response to the phenomena that existing company's capabilities define its incapacabilities (Christensen et al., 2000). Such new value network will include supplier, customer and distributor channels that are different from the incumbents';
2. Set up a separate organisation small enough and away from the sight of the original management team such that the new organisation get excited by small gains (Westerman et al., 2006, Gilbert, 2006). The new separate organisations will have new measures of performance, with new managers that will be less afraid of deploying emerging strategies, subject to less bureaucracies and assessed based on a new set of parameters under a new organisation structure and culture (Lucas Jr et al., 2009) ;

3. Plan for discovery of emerging strategies, be prepared to allow managers to learn and fail, and do not deploy all of the firm's resources on being right the first time and plan for learning. It is important to acknowledge that disruption is a process and not a single event; and
4. Do not be misguided by the word technology - very often disruption happens from applying existing technologies in a different way to serve the low end or non-consumer market demand. Disruption therefore can also be analysed as a marketing challenge for products and services. Disruptors should also be mindful that disruption is a relative analysis. An innovative product, service or business model may be disruptive to some incumbents in a certain industry but a sustaining innovation to another firm. An innovation that is sustaining to an incumbent may mean that once the incumbent sees such opportunity, such incumbent could more likely rally the internal and external resources required to compete with the disruptor (Christensen et al., 2013)

2.2 Challenges and critique of the disruptive innovation theory

Since the disruptive innovation theory was first published, there have been numerous criticisms of the theory that can be broadly classified under the following categories:

1. The theory is mostly applied on an ex-post basis based on selected case studies only (Danneels, 2004, Lepore, 2014). The theory therefore has little practical value of predicting disruption or how incumbents can practically use the theory for corporate planning. Lepore generated a series of high-profile responses from

numerous scholars, including Christensen himself, in which many critics commented Lepore's analysis as lacking academic rigor. However, it would seem unfair to disregard Lepore in its entirety just because her analysis does not fit into the traditional academic analysis framework (Gobble, 2015). Raynors conducted an experiment with some MBA students based on selected case studies, in a controlled group setting, to assess whether those MBA students who have learnt the disruptive innovation theory would have a higher success rate in predicting the success or failure of disruptors and incumbents. From this one experiment, there were evidence to support that a conscious application of the innovator's theory could help to predict successes of failures in pursuing a disruptive innovation strategy (Raynor, 2011);

2. The theory lacks quantitative data to support its causality claims. The disruptive innovation theory has been criticized as being more a correlation analysis than causality analysis. When tested with real world data, it is often that certain disruptors and incumbents do not fit the conditions of what was initially classified as a disruptive innovator. The disruptive innovation theory is just one of multiple perspectives that senior management can use to assess an organisation's strategic development (King et al., 2015); and
3. The term disruptive innovation is too broad – there are many other researches that already addresses innovation in greater details and of more practical uses. Contrary to what Christensen proposes as a general theory, disruptive technological innovation, disruptive business model innovations and radical

product innovations arise from different circumstances and would require different strategies and responses (Markides, 2006, Markides et al., 2010, Tellis, 2006); and

4. Causality challenges - there could be many reasons and explanations for incumbents becoming disrupted and not being disrupted, it does not have to be caused by disruptive innovation as defined by Christensen (Sood et al., 2011).

2.3 Re-framing the disruptive innovation theory for application

Over the years, Christensen has received both support and criticism for his theory of disruptive innovation. Christensen himself has stated on numerous occasions that the theory encourages external criticism and identification of anomalies, as anomalies can contribute to further refinement of the theory. Christensen himself has repeatedly stated that his theory began as descriptive, and it is through application and observation in real business environments, and through addressing and reviewing the anomalies, that a theory can gradually transform from descriptive to normative (Christensen, 2006). In his more recent publications, Christensen himself has suggested research gaps that would continue to address some of the recurring anomalies identified. The three specific areas Christensen suggested for further research include (1) what response strategies are available to those facing the threats and opportunities of disruption, (2) understanding the process and rate of disruption in order to predict with greater certainty on the trajectories for disruptions and (3) designing and defining the metrics in which disruptive innovation could be measured (Christensen et al., 2018).

2.3.1 Response strategies

Earlier version of Christensen's response strategies was mostly criticized for its simplicity and lack of details and appreciation of real-life business conditions. For a long time, a typical response strategy interpreted by practitioners was that, those incumbents being faced with threats of disruptive innovation would simply need to set up a separate entity away from the sight of existing management team to create an environment and new culture for disruptive ideas to grow.

The fame in which the innovator's dilemma has caught since 1997 has, on occasions, been interpreted as both a sign of sure failure by incumbents and a sign of sure hope for all new disruptors looking to displace the incumbents. Christensen himself was aware of how the innovator's dilemma has done justice in helping executives in framing the problems and opportunities of disruptive innovation, but also fell short of proposing adequate and practical solutions for responses. This realization led to the publication of the Innovator's Solution in 2003 (Christensen et al., 2013), but the publication again seemed to have attracted further questions than answers, as empirically, various incumbents continue to be displaced, and various incumbents continue to grow and not threatened by new disruptions, even though such incumbents, on surface, appear not to have implemented any of the strategies that Christensen had proposed. It appears that the challenges to the disruptive innovation theory continues to centre around how Christensen claims the theory is applicable to all industries, when in practice, the anomalies continue to surface.

There have been further researches since the publication of the Innovator's Solution, most notably a whole book that describes in great detail how executives should frame the disruptive innovation problem, followed by a proposed step by step guide in addressing the opportunities and problems of disruptive innovation (Anthony et al., 2008). The step by step guide proposed included directions on how to identify opportunities under the disruptive innovation's framework to find non consumers, how to re-assess a company's marketing effort based on the jobs to be done framework (Christensen et al., 2016), how to formulate and shape the disruptive ideas, how to craft and handle emerging strategies, how to manage the project team and how to implement an innovative culture from top leadership in order to encourage innovation and growth.

Various other scholars have advanced Christensen's proposed response strategies. Beyond setting up autonomous organisations. Incumbents could respond by investing aggressively in its existing technologies and capabilities to extend its product performance and services, with the goal of delaying the disruption from new entrants (Chen et al., 2010). Researches have also explored the conditions and explanations of why certain types of new technologies and in what circumstances could take longer time for the broader market to adopt before substituting the old technologies. Having an understanding and appreciation of these circumstances and conditions could potentially provide the incumbents with more time to respond (Adner et al., 2016).

Bolder researches have also surfaced, with the aim of solving the innovator's dilemma. O'Reilly and Tushman introduced the strategy of organisational ambidexterity, whereby senior executive are fully cognizant of the disruptive innovation theory, but

nevertheless consciously manage an organisations with dual structures, sub cultures, dual processes and encouraging executives to become extremely flexible in supervising and executing both sustaining and disruption innovations in parallel (O'Reilly III et al., 2016). There have also been researches of hybrid strategies, whereby incumbents would deploy potential disruptive innovations and technologies to its existing product offerings, while being fully conscious that such deployment would buy time for incumbents to learn how to formulate further strategies to deal with its potential disruptors (Furr et al., 2015). A notable example is hybrid cars serving as an intermittent pathway for traditional car manufacturers to learn and to eventually venture into production of pure electric cars. The key strategy here is being aware that it is not in an incumbent's interests to only keep deploying the disruptive innovations in its current markets and serve its existing customers, as the path of sustaining innovation would ultimately lead to overserving of existing customers but also diverting resources away from investing in disruptive innovations' applications either in the low-end market or new market that targets non-consumption.

One further enhancement to the response strategies suggest that incumbents could choose to work with the potential disruptors and cooperate with them as soon as they see them becoming a potential threat. Incumbents could work with disruptors through technology licensing, equity participation or outright acquisition of the disruptor's technologies (Sandström et al., 2009). In the context of response strategies by Chinese technology firms in Mainland China, there are numerous illustrations of this, most visibly

practiced by Tencent⁷, one of the lead technology companies in Mainland China. Tencent actively works with potential disruptors by licensing of technologies, sharing of customer resources and providing funds for growth by taking on meaningful equity stake in these disruptors. Tencent is the largest shareholder of JD.com⁸, Ping Duo Duo⁹ and Meituan Dianping¹⁰, all of which are formidable competitors to Alibaba's e-commerce ecosystem¹¹.

2.3.2 A deeper understanding of the rate of disruption and the disruption process

Christensen has repeatedly claim that his disruptive innovation theory applies across many industries. Together with other researchers, he has applied his theory in sectors such as education (Christensen et al., 2011), healthcare (Christensen et al., 2010), and in his latest application, applying the theory of disruptive innovation as a solution to help nations out of poverty (Christensen et al., 2019). There have been challenges to Christensen's claims in that certain industries just simply stay the same for a long period of time, notwithstanding the wave of disruptive technologies that have occurred. A good example is the healthcare industry in the United States, which, notwithstanding the theory's suggestions of many actionable strategies, healthcare remains expensive, and the hospital groups, pharmacies, pharmaceutical companies and health insurance companies continue to thrive as incumbents. A useful insight was made by Adner and Kappor, who made observations that the pace in which disruptive technologies and business models are adopted is not simply a function of the technological advancement,

⁷ <https://www.tencent.com/en-us/about.html>

⁸ <https://ir.jd.com/investor-overview>

⁹ <https://investor.pinduoduo.com/investor-relations>

¹⁰ <https://about.meituan.com/about/desc>

¹¹ <https://www.alibabagroup.com/en/about/overview>

but also the evolution of the ecosystems for a particular sector (Adner et al., 2016). Using healthcare services again as an example, while there have been significant advances in various technologies (for example, in gene sequencing, in medical devices and in applying artificial intelligence technologies to drug researches to make the process of drug discovery cheaper and faster), that, in theory, should lead to lower healthcare costs for the governments and for consumers, such has not happened thus far, as the ecosystems for healthcare reimbursements and regulations of medical devices and services have remained largely unchanged.

The speed of disruption therefore merits a more detailed analysis beyond Christensen's initial observation that new technologies will inevitably lead to displacement of incumbents. Such observation should be more specific in setting out the *conditions and boundaries* in which disruption is expected to occur. Such added level of specificity will enhance the predictive value of the theory and provide executives with great insights in shaping its response strategies or for disruptors in planning their entry strategies.

2.3.3 Designing and defining the metrics in which disruptive innovation could be measured

One of the core principles on why incumbents fail to identify or respond to disruption is that senior management who are doing the right thing in pursuing better financial results ultimately under invest in innovations. Well trained executives would analyse investment returns from various strategies devised, and without an appreciation of the differentiation between sustaining and disruptive innovations, executives will continue to do well by investing in growing the existing businesses, leading to better

margins and higher return on capital, starting a virtuous cycle of attracting further capital and shareholders' support to keep investing in such profit generating strategies, and the corresponding executives receiving awards tied to such performance.(Dechow et al., 1991)

Christensen suggests that executives who want to fence off or cause disruption should have the courage to redefine a new set of measurement parameters beyond the traditionally classified financial return metrics. For example, a focus on increasing the return on net assets may lead to executives outsourcing its manufacturing capabilities, leading to a lower denominator value in net assets, hence leading to a higher return on net assets. Such focus on return on asset could lead to executive inadvertently (or sometimes deliberately) outsourcing the very research and development and competitive advantage that should have been kept in house. Other parameters such as discounted cashflow analysis, gross profit margins, marginal and sunk costs analysis also runs risks of brushing off business development opportunities that do not generate near term returns based on traditional measurement metrics (Christensen et al., 2008). Christensen explains why the usual computation of Net Present Value using DCF discourages innovation. In comparing NPVs of new projects versus investing in growing the existing business, the cashflow of the existing business is projected to keep increasing, as it is easier to do such projections with the historical cashflows of the existing business. Such projection, however, usually does not consider a potential decrease in future cashflows that may be caused by disruptors entering into the incumbents' businesses and stealing the incumbents' market shares. Further, NPVs usually attribute up to 50% of its value to the terminal value that is discounted back to NPV in the 5th year of projection, and quite

often, disruptions from new entrants or technologies could take up to five years to start creating positive cashflows. This means that the forecast cashflow for innovative projects generally, from 5th year onwards, is not a simple fixed growth rate (likely a much higher growth rate if the disruptive project is proven successful). A financial analysis using NPV that does not take this into account will likely undervalue the NPV of potentially disruptive projects and hence not chosen by the executives who are managing the existing businesses. Further researches should be conducted to explore other kinds of metrics, or a combination of financial and operational metrics to function in parallel, with the goal to reducing the current biases of established businesses becoming (inadvertently) driven to pursue only sustaining innovations (Christensen et al., 2018).

2.4 Analysing the Chinese healthcare system under the disruptive innovation framework

The goal for all governments to provide equitable healthcare access for all has, at certain times, put the role of basic rights of humanity above the fundamental principles of sustainable services and business models. Providing equitable healthcare services to all is often viewed and assessed with much political considerations, which generally makes it difficult for would-be innovators to have sensible dialogues with those in charge of the healthcare systems to discuss the *importance of progress*, rather than expecting some breakthrough solutions that will apply a quick fix to the problems faced by healthcare systems globally.

Healthcare services are often framed as services that tolerate no sub-standard quality services, and hence must only be delivered by well-trained healthcare workers at the best available facilities using state of the art medical devices and pharmaceuticals.

Such framing falls squarely into what the disruptive innovation framework would classify as *sustaining innovation* being implemented by the incumbents, where the existing healthcare systems keeps investing resources to make incremental improvements to their service offerings, ranging from medical education, service delivery and payment models. Would such framing provide the right lenses to achieve the goals of governments? Or could we start applying different lenses to re-examine the tools available for healthcare reform?

It is beyond the scope of this thesis to comprehensively set out the current problems faced by the Chinese healthcare system. A good overview of the progress made by the Chinese government over the past decade has been succinctly summarized by Yip (Yip et al., 2019).

While acknowledging that significant financial investments have been made by the Chinese government in making healthcare accessible for most of the Chinese population (the Chinese public medical insurance schemes now provide some form of basic payment coverage for all citizens in Mainland China), Yip , the World Bank and the World Health Organisation (Organization, 2019) also highlight the following non-inclusive list of problems faced by the Chinese government:

- a) Mainland China's healthcare system is hospital based and specialists centric. Hospitals continue to be extremely crowded, with an overwhelming outpatient and inpatient visit volume concentrated at the top hospitals (known as Tier 3 hospitals) in Mainland China;

- b) Crowded hospitals also mean accessibility to care remains an issue, with citizens queuing up for hours at hospitals to seek admission for both outpatient and inpatient services, while the community health centres remain under-utilised;
- c) Significant number of community health centres aimed at developing the primary healthcare system have been built, yet utilization remains relatively low. The primary healthcare system remains underdeveloped, with insufficiently trained general practitioners and nurses for handling treatment of common diseases and management of chronic diseases;
- d) There is a growing number of chronic disease patients in Mainland China, with worrying trends that the younger generation are getting diagnosed with diabetes earlier on in their lives due to lifestyle choices;
- e) Out of pocket expenses continue to represent a significant amount of health spending by citizens, meaning that despite the government offering basic medical insurance coverage for all, there remains significant funding gaps for services. Mainland China's healthcare system continues to operate mostly on a fee for service model, meaning hospitals' sources of revenue significantly depends on the volume of services delivered; and
- f) The increase in healthcare spending in Mainland China has been growing at faster pace than GDP growth. Funding gap for healthcare services is therefore expected to widen further (i.e., what government received as taxes and what government pays for healthcare services) as ageing population continues to increase.

The Chinese government has proposed various measures to tackle these problems, the extent of which is beyond the scope of this thesis. There have been numerous suggestions on how these problems can be resolved, but in most cases, when viewed with the lenses of the disruptive innovation framework, the suggestions would likely be classified as sustaining innovations.

Take the hospital centric healthcare system as an example. While most would view technological advances and innovations would make healthcare services more accessible and effective, the effect of encouraging further investments in clinical research and the publishing of research papers as a way to seek career advancement for healthcare professionals in Mainland China (which would lead to an increase in ranking and hence salaries) have inadvertently increased the list of new services and drugs that the government needs to pay for. Very often, these new services and drugs do provide incremental improvements (i.e. sustaining innovations), but they do not fundamentally change the clinical outcome for patients when there are other equally cost effective therapies available (Organization, 2015).

Advances in new diagnostic methods (such as more advanced technologies in gene sequencing for early detection of diseases) and in new drugs (such as the vast amount of capital, driven both by private funding and government funding for biotech researches) mean that hospitals are always looking for more effective ways to treat patients at the point of care. Under the lenses of disruptive innovation, where the focus of incumbent service providers (i.e. hospitals) would be to compete with each other “to be

hired”¹² to complete the immediate jobs of the patients (i.e. cure me as fast as possible), the healthcare system has not taken the time to pause and acknowledge that, patients, or consumers, actually would have much preferred to hire the healthcare system for the job of helping them to not become sick in the first place. A relentless focus on getting better in treating diseases, especially chronic diseases in the face of ageing population, may not be the right focus to solve Mainland China’s healthcare problems.

It is very challenging to change all the current Chinese government policies, organisation structures and incentive schemes that is focused on the curative care model (i.e., treating illnesses as and when they present themselves to the healthcare system) to become a system focused on preventive care, or taking it one step further, a system focused on wellness care (i.e. a system that focuses on maintaining the good health of citizens). It is well documented that a healthcare system focused on the strengthening of primary care that delivers valued based care would deliver more effective outcome for citizens, while helping governments in keeping healthcare costs under controls (Organization, 2019)

The Chinese healthcare system, in a business model context, is truly a huge incumbent that has vast financial and government resources, with well-established processes and policies to keep performing on a sustaining innovation trajectory, meaning to keep delivering better services as measured by the current operating frameworks. This also explains why, notwithstanding the Chinese government encourages the participation

¹² Christensen has coined the term “hiring”, meaning that organisations should think about offer services and products that customers would like to hire to fulfil their jobs to be done CHRISTENSEN, C. M., DILLON, K., HALL, T. & DUNCAN, D. S. 2016. *Competing against luck: The story of innovation and customer choice*, Harper Business.

of private healthcare organisations as means to attract new funding and promote new service models, private healthcare organisations have thus far continued to serve only a very small percentage of the population with very limited service offerings, and arguably, only providing non-essential healthcare services.

The private healthcare players have continued to frame themselves as competing against the public healthcare systems on dimensions such as a better service environment and less waiting time. However, the services are generally much more expensive than the public healthcare system, and most importantly, the private sector service offerings do not end up serving the fundamental needs of the patients and consumers, that is, reliable and trusted curative care. While private organisations may offer a better service environment, the best of the specialists continue to work in public hospitals, and private organisations can only arrange for these specialists to work on a part time basis to see private patients. Although the Chinese government has published policies that would allow specialists to work part time in private organisations as one of the means to promote the development of the private healthcare sector, in practice, most well-known specialists are too occupied with their duties at public hospitals already, and the general managers of hospitals (understandably) do not like its specialists working part time outside of their hospitals.

The best healthcare resources, from the perspective of the consumer, continues to reside with the public hospitals. The private healthcare organisations are generally trying to compete with the public hospitals on a sustaining innovation trajectory, which, under the disruptive innovation framework, private healthcare organisations are unlikely to

succeed. The incumbents do not see the private organisations as a threat at all, and even if they were to become a threat, the public hospitals could easily respond as per various methods highlighted in section 2.3.1 above. This has in fact happened, with many public hospitals now providing increasingly better service environment, direct insurance billings payment methods and electronic booking systems that alleviate some of the long queuing up time problems. In other words, private healthcare organisations are generally all struggling to compete with the incumbents in terms of providing *curative care* services.

The disruptive innovation framework provides new lenses for examining potential solutions for advancing healthcare reform in Mainland China. In chapter 5, UMP China's expansion strategies will be analysed through the lenses of the disruptive innovation framework.

2.5 Applying the 3H framework to disruptive innovation theory

Over the years, the term disruptive innovation has been applied by academics and market practitioners who would simply use the term disruptive innovation to gather support for strategic changes for organisations. Notwithstanding Christensen himself has published numerous books and articles to refocus attention to disruptive innovation as a theory and not as a checklist for implementing or fending off disruptions, there is urgency in communicating and framing the disruptive innovation theory and its related researches in such a way so as to encourage further practical application. One such framework that may assist the practical application of the disruptive innovation theory is the 3H framework.

2.5.1 A summary of the 3H framework

Yu devised the 3H framework as a holistic management mindset that aims to facilitate leaders in achieving their objectives by drawing analogies to the Hear, Head and Hand, the 3H framework (Yu, 2020). Through Yu's years of experience as a business executive in organisations of different scales, Yu has observed that while leaders could be educated and made known the importance of leadership principles, strategic planning and mapping out the competence and resources required for the organisation to succeed, leaders have continued to struggle in effectively and efficiently implementing their ideas and strategies to achieve their objectives. Yu suggests that this is due to executives lacking a holistic mindset in applying different aspects of the 3H in making and executing decisions.

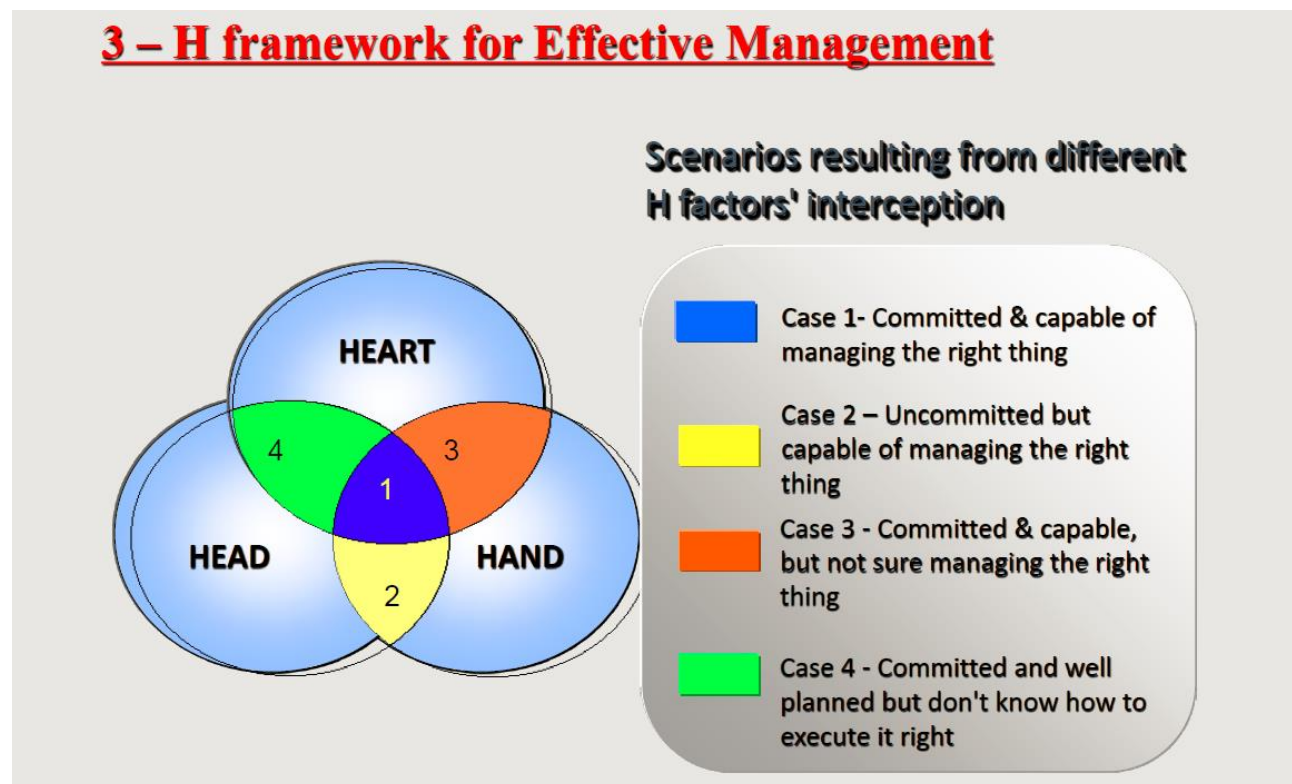


Figure 1 - Summary of the 3H framework - Reference: (Yu, 2019)

At its core, the Heart element requires a genuine and authentic consideration of the vision of the organisation, why the organisation exists, and what purposes does the organisation serve for the society if the vision and missions of the organisation were achieved. The Head element requires the executives to devise corresponding strategies and action plans based on the vision and mission of the organisation, and finally, the hand element requires the skills for the coordination of resources to implement the strategies devised. Put differently, it is important to start with *why* an organisation exist, *how* it is going to execute its plans and *what* does the execution of the plans lead to as measured by the products or services the organisation provides.

2.5.2 Examining the 3H framework under other management principles

As Yu himself has noted, the 3H framework is built “on the shoulders of giants” by helping executives to have a simpler mindset to apply well established literature of each of the 3H element. What is worth noting is that over the years, various scholars that might have initially focused on a specific H element eventually also formed the view that it is not so straight forward to “apply” each element on their own to fix problems or to initiate changes in an organisation, but a combination of the 3H factors being implemented in synchronization with each other. Three notable examinations of similar 3H concepts are reviewed below.

2.5.3 The Hedgehog Concept

In Level 5 Leadership – the Triumph of Humility and Fierce Resolve, Collins (Collins, 2006) proposes that for companies to propel from good to great, one of the key commonly observed quality is for senior management team, or the CEO, to be performing

with the qualities of a Level 5 Executive. Collins depicts the five different levels in his book in the form of a pyramid as copied below (Collins, 2009b):

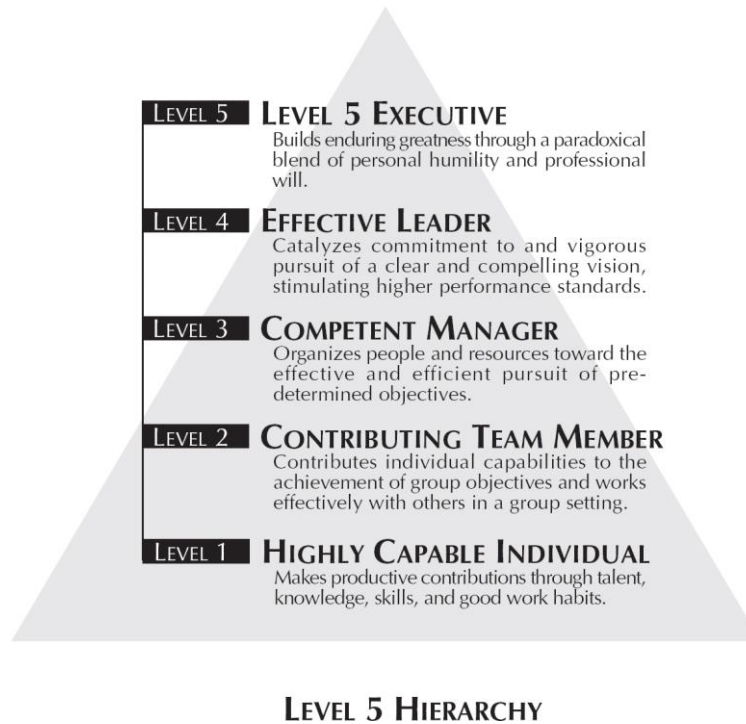
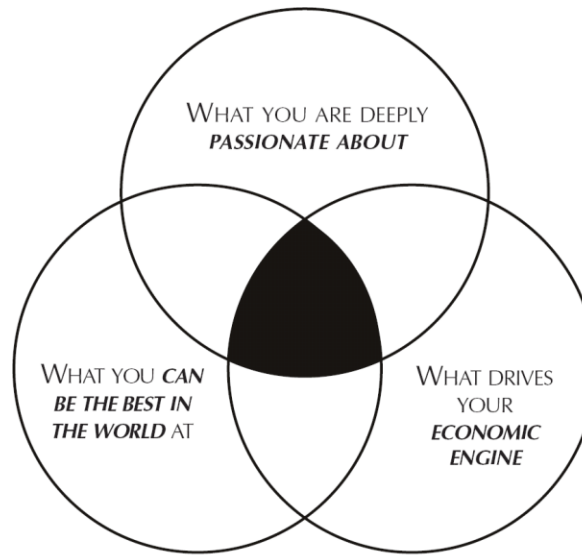


Figure 2 - 5 levels of leadership - extracted from *Good to Great* (Collins, 2009a)

Collins and his research team reviewed more than 1,435 Fortune 500 companies and categorised 11 companies had achieved and sustained greatness. Collins concluded that Level 5 Leaders combines deep personal humility with intense professional will (Collins, 2009b). In addition to assessing the leadership aspects of companies that had achieved the good to great status, one key concept that he outlined in his book was the Hedgehog Concept (Collins, 2009b). The Hedgehog Concept appears to share a similar analogy with the 3-H framework as it also depicts an analogy of analysing a great company as being at the intersecting focal point of three circles, being (i) what it can be the best at, (ii) how its economics work and (iii) what ignites its people's passions.



THREE CIRCLES OF THE HEDGEHOG CONCEPT

Figure 3 - Summary of the Hedgehog Concept (Collins, 2009a)

The Hedgehog Concept proposed by Collins has broad similarity to the 3H framework in that (i) “what you are deeply passionate about” can be seen as similar to the Heart element, (ii) “what drives your economic engine” can be seen as similar to the Head element, as this part of the analysis focuses on a company’s corporate strategies and a deep understanding and analysis on the company’s functions and competitive advantage in its defined industry and (iii) “what you can be the best in the world at” can be seen as similar to the Hand element, as it focuses on the company’s competence and operational strengths.

2.5.4 The Blue Ocean Strategy

The Blue Ocean Strategy (Kim et al., 2004) was first published by Kim and Mauborgne in 2004, which later led to the publication of the Blue Ocean Strategy Book in

2005 (Kim et al., 2005), a revised and expanded version in 2014 (Kim et al., 2014) and more recently, the publication of the Blue Ocean Shift (Kim et al., 2017).

The Blue Ocean Strategy is a framework to assist managers in designing their corporate strategies to break away from competing in their existing industry. On surface, this would therefore fit squarely into the Head element of the 3H framework. However, a further analysis of the Blue Ocean Strategy would review that Kim and Mauborgne also places significant emphasis on the Heart and Hand element as well.

Kim and Mauborgne were of the view that, for successful strategy to be implemented, it is crucial that senior management fully engages their employees in what is termed as “fair process” (Kim et al., 2005), where the three elements of fair process includes engagement, explanation and expectation.

Kim & Mauborgne states that engagement, explanation and expectation are three crucial elements for successful implementation of strategies, as (i) engagement (similar to the Heart element) leads to better strategic decisions by senior management, and employees would be more committed to execute such decisions, (ii) explanation (similar to the Head element) allows employees to participate in the strategy setting process, building a deeper understanding of the organisations’ future directions and (iii) expectation clarity (similar to the Hand element) leads to articulation of what exactly needs to be done, produced or made to further the organisation’s strategies. This focus on fair process could lead to an increase level of trust among employees and senior management.

Notwithstanding the overall popularity of the Blue Ocean Strategy, Kim and Mauborgne (Kim et al., 2005) repeatedly emphasise that senior management must continue to inspire employees (i.e. the Heart element) to voluntarily cooperate to execute new strategies. Kim and Mauborgne elaborated on this further in Blue Ocean Shift (Kim et al., 2017), where they specifically commented on the Heart element, that the “longer we thought, the more clearly we could see that there was something about the fair process that recognised people, acknowledging their fears, their insecurities, their need to be treated with dignity, their desire to matter. We struggled to figure out what word could capture this something and best describe it. The closest we could get was what we came to term *humanness*” (Kim et al., 2017). The struggle to find a word to describe such element is akin to the Heart element, where more often than actions inspired by the heart cannot easily be put in words.

2.5.5 The Balanced Scorecard and Strategy Map

While other scholars might have commented broadly on the importance of synchronization of all H elements, Kaplan and Norton probably went the furthest in providing the practical tools to facilitate executives to integrate the 3H elements together. Kaplan and Norton first introduced the Balanced Scorecard in 1996 as a framework to help firms to find a balance between short term and long term objectives for organisations (Kaplan et al., 1996, Kaplan, 2009). Kaplan specifically wrote that while in the industrialization age, measurement of financial objectives as reflected in financial reports would serve as a proxy for organisation performance, modern firms that require investments in innovations, knowledge workers and services rely on investments in

intangible assets, and financial reports that only, by definition, measure investments in tangible assets may fall short of helping executives to drive the right strategies to achieve their intended goals. This is particularly relevant for the services sector, and especially the healthcare sector, where the majority of investments and operating costs are associated with training and development of medical professionals.

The balanced scorecard continues to put the *financial perspectives* as the top goal for for-profit organisations to achieve, but it goes further to examine that, for firms to achieve its financial objectives, it is important to also measure other non-financial parameters that include the *customer perspectives*, the *internal perspectives* and the *learning and growth perspectives* (Robert et al., 1996). Kaplan and Norton then expanded on the Balanced Scorecard concept to introduce the Strategy Map (Kaplan et al., 2004), where executives would explicitly examine the cause and effective relationships of these four perspectives by linking them across a map, and readers (which typically would be the management team members of the organisation) can see the *causality* of how the success in one area would ultimately cascade into the success of other initiatives that form part of the organisation's overall strategic planning. Once the map is drafted, executives are invited to suggest what should be measured for each of the perspectives, and correspondingly, what further investments are required to be made by the organisation in order to achieve those stated and agreed goals (Kaplan et al., 2004).

The Strategy Map helps organisations and its employees to visualise and align the organisation's vision to actionable and measurable goals by aligning all employees to contribute to the overall strategic planning, and also explicitly recognising the importance

of synergy across the financial perspective through clearly mapping the vision and mission of the organisation with its measurable financial perspectives (i.e. the Heart element explained), the customer perspectives (i.e. the Head element of focusing on serving the customer, and using that as the unifying guide to help the organisation to plan its strategies), the internal perspective (i.e. the Hand element, being the internal processes required to help achieve the higher goals) and the learning and growth perspectives (i.e. what must be addressed within the organisation to integrate all of the four perspectives). The strategy map and balanced scorecard has continued to evolve in its applications (Kaplan, 2009) and has also been used by various healthcare organisations globally to help executives *align* its strategies to all the key stakeholders in its organisations to generate synergies (Kaplan et al., 2006a), thereby enabling its strategic goals to be more effectively and efficiently implemented (Kollberg et al., 2011, Inamdar et al., 2002).

2.6 Framing the disruptive innovation theory under the 3H framework

Over the years, Christensen has been responding to evolving enquiries on the practicality of the disruptive innovation theory. His elaborations can potentially be classified under the Head, Heart and Hand elements as follows:

Heart (the “why”) – why the stated goals are worth pursuing by the team members

- a) Defining the vision of the company to find and motivate the right people to join the organisation

- b) Disruptive Innovation could become the lenses for executives to make products and services more accessible, convenient, affordable, and more effective for all, thereby enabling more people to buy and consume to pursue progress in their lives
- c) Look for *struggles* in our society that are not served, and believe that perseverance to resolve such struggles will lead to prosperity and progress (Christensen et al., 2019)

Head (the “what”) – what strategy, business model, strategic alignment are needed to effectively and efficiently facilitate the strategy implementation

- a) Re-examine business models from the perspectives of solution shop, processes and facilitated network as different types of models that is focused on customer value proposition and profit formula;
- b) Services and products must address the emotional, functional and social elements for purchase and usage;
- c) “Skate to where the money will be” as the focus for efforts and resources (Christensen et al., 2001)
 - a. Low end disruption (targeting those consumers who cannot afford the existing expensive solutions with a smaller suite of relevant offerings) and non-consumption disruption as means for segmentation (pulling in those consumers that have had to devise their work around and simply go without the products or services at all)
 - b. Non-reliance of existing and historical data for crafting new strategies

- d) The theory of Interdependence and modularity – wrapping around the resources you need to achieve your disruption versus outsourcing
- e) Clear analysis of what constitute sustaining versus disruptive innovations
- f) The theory of Jobs to be Done to reshape marketing strategies, advertising strategies and creating purpose brand – executives need to carefully analyse why, when and how consumers would hire and fire your products, carefully observing whether consumers are devising workarounds to achieve their jobs, and taking into account the pushing and pulling factors consumers consider in making their decisions

Hand (the “how”) – how to get the job done, being what competence and resources are required in the process, and how the operations will be evaluated, monitored and controlled

- a) Resources, processes and priorities must align with strategies
- b) Hiring employees for experience in solving similar problems rather than specifically defined past work experiences
- c) Metrics for measuring performance must be tailor made for each specific initiative rather than reliance on traditional measures of financial and operational performances

3H operating together – the synthesis of the Heart, Head and Hand domains to achieve an organisation’s strategic goals

- a) Creating an organisational culture that fosters and encourages disruptive innovation, with a thorough understanding of what the theory represents

- b) Define the leadership qualities required to drive innovation, and creating an innovation culture and the DNA required for the organisation
- c) Emerging strategy as default for innovation and which focuses on learning and trial
- d) Adopt an evolving human resources strategy that recruit and train staff for different skillsets at different stages of growth

Through framing the disruptive innovation theories into the different categories under the 3H framework, there is opportunity for executives to start applying such theories with greater clarity. Executives could also apply elements of the disruptive innovation theory, as outlined above, under the strategy map framework to provide guidance to employees on the execution of such new initiatives without disrupting the organisation (Kaplan et al., 2006b). Christensen has stated that companies driving innovation does not have to see it as a hit or miss (Christensen et al., 2013), but what seems to have been missing is a simpler mindset or framework that could more systematically, or more holistically, help executives in applying Christensen's two decades of researches on disruptive innovations.

At its core, the 3H framework posits that the level of holistic management hinges on the level of synthesis created among the integration of the Heart, Head and Hand domains. It must be noted that the disruptive innovation theory, in and of its own, is a means to an end and not an end in itself. Being able to identify threats and opportunities under the disruptive innovation framework is only a start, which if implemented and properly developed would allow an organisation to achieve its goals. To do so, there are various elements under each of the 3H elements, such as conducive leadership, corporate culture, performance evaluation and reward systems that must be specifically designed for each

organisation. The 3H framework provides a mental framework for managers to synthesis all 3H domains together to effectively and efficiently develop disruptive innovation initiatives and business plans, which in turn would help organisations to achieve its state strategic goals identified under the disruptive innovation framework.

The application of Christensen's theories, under the 3H framework, could potentially offer to companies clearer pathways to the deploying of the right innovation strategies to drive changes. Such hypothesis of applying disruptive innovation theories through the 3H framework requires empirical testing through further case studies, and it is to this goal that that this thesis shall set out to examine.

2.7 Research gap and conclusion

This chapter has provided a critical analysis of the theory of disruptive innovation. One of the biggest challenges to the theory has always been whether the theory could be applied to any industries as proclaimed by Christensen. This literature review shows that the application of the theory requires a thorough examination of the sub-components of the theory, with such sub-components having been further classified under the 3H framework and the strategy map to examine a practical application of the theory.

To date, there has been no researches that have applied the disruptive innovation theory for advancing primary healthcare development in Mainland China. The existing literatures have continued to provide recommendations to the Chinese government to increase funding to primary care and to reform the insurance payment system. In practice, when these suggestions are pushed into the current healthcare system, they are difficult to implement and could face resistance from the existing stakeholders. This is shown by

the various research that have continued to highlight the shortfalls of the Chinese healthcare system as it stands today (Hu et al., 2008, Yip et al., 2019, Li et al., 2020).

These problems need new lenses to offer new solutions. The theory of disruptive innovation offers a potential alternative approach for healthcare reform. Under the disruptive innovation theory, the current Chinese hospital based and specialist centric healthcare system can be defined as an incumbent that is pursuing a path of sustaining innovation, and which means potential disruptors, positioned as organisations who offer primary care solutions, could have potentials to serve both the low-end consumption and the non-consumption markets of the patients, providers and payers.

To conclude, the practical and theoretical gap identified in this chapter is about the practical interpretation, and hence, the effective implementation of the disruptive innovation theory. This thesis therefore aims to narrow the gap by exploring a holistic approach to effectively implement the disruptive innovation theory to advance the primary healthcare industry development in Mainland China.

In chapter 3, UMP Healthcare Group, the subject for our single case research study, will be examined in detail. UMP is an established healthcare organisation with its origin in Hong Kong pursuing a geographical expansion strategy in the Greater Bay Area.

Chapter 3 – UMP Healthcare overview, external and internal analysis for formulating UMP’s strategies

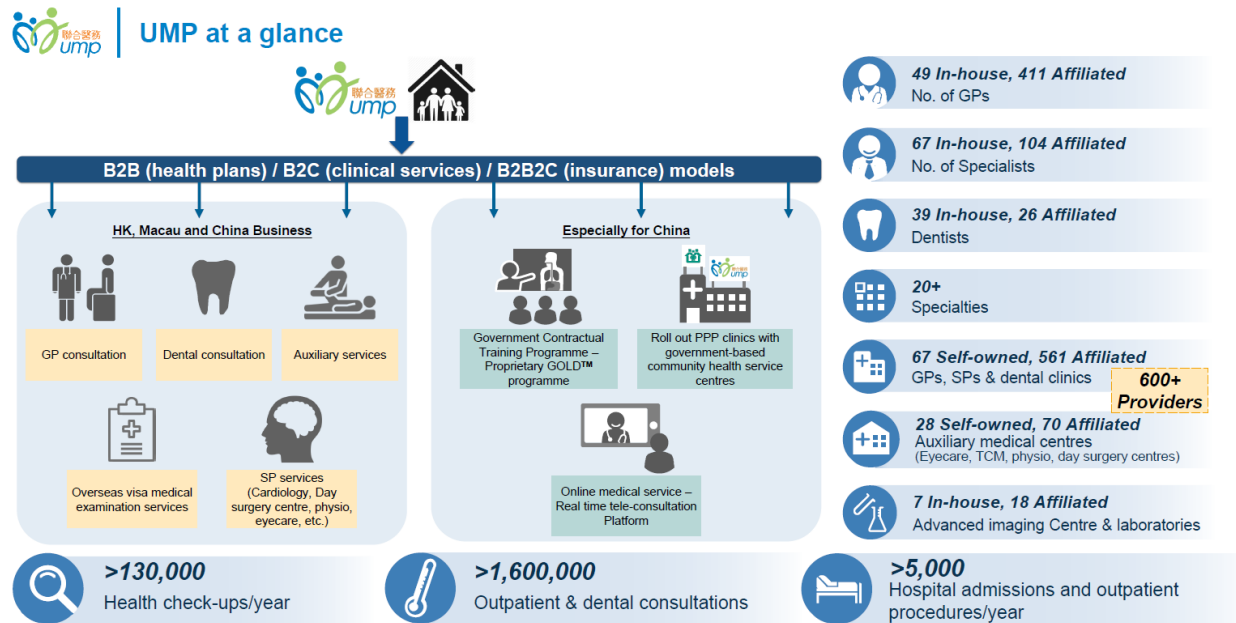
3.1 Introduction

This chapter will provide an overview of UMP Healthcare Holdings Limited (“UMP” or “Parent Company”), the parent company of UMP Healthcare China Limited (“UMP China”). The chapter will start by examining UMP’s business model and its stated strategies through an internal and external environment analysis under the Resource-based, the PESTEL and Porter’s five forces frameworks. After such analysis, UMP will be further examined under the 3H framework to assess its overall readiness for its expansion in the GBA.

3.2 About UMP Healthcare Holdings Limited (“UMP”)

UMP is a Hong Kong based healthcare maintenance organisation (“HMO”) founded in 1990. Founded and managed by a group of doctors, UMP has been a consolidator, coordinator and administrator of many doctors in providing custom-made health management plans to (i) employees of corporates and (ii) policy holders of insurance companies. From a humble beginning, UMP now delivers healthcare benefits management to over 1 million members annually, administering more than 10,000 health plans and delivering more than 1.1 million outpatient visits through its more than 1,100 doctors and services providers located across Hong Kong, Macau and various regions in

Mainland China¹³. UMP generated revenue of HK\$672 million for the financial year ended June 30, 2022.



11

Figure 4 - UMP at a glance

UMP offers a comprehensive range of healthcare services to its members such as general outpatient services, specialist services, dental services, imaging services, lab services and auxiliary health services, including physiotherapy and health check-ups. UMP became a listed company in Hong Kong in 2015. A summary of the healthcare services provided to UMP's members is set out below:

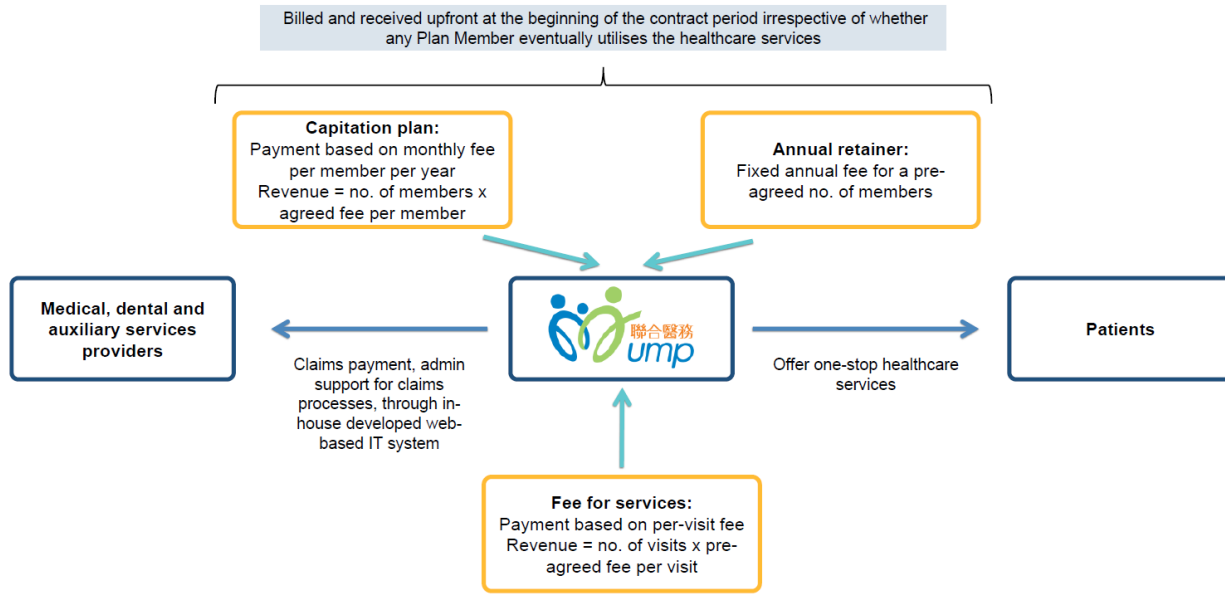
¹³ Please note that for ease of explanation, China is used in this report as referring to UMP's operations and market in China *excluding* the Hong Kong and Macau operations



Figure 5 - range of healthcare services provided by UMP

UMP works with Corporate Customers to design outpatient and inpatient services plan that match their required product features and sales/cost budgets. UMP primarily charges its Corporate Customers based on (i) an annual fee per person or (ii) fee per usage of services. The covered members and employees can obtain, on credit, healthcare services at providers accredited and verified by UMP, and UMP will help the Corporate Customers to monitor whether the services provided are within the benefits coverage provided to such covered members.

UMP plays an important role in helping its Corporate Customers to design products that could cover a broad range of healthcare services. At the same time, UMP plays a critical role in cost containment, while ensuring quality healthcare services are provided. A summary of UMP's service fee model for its partnerships with its Corporate Customers are set out below:



9

Figure 6 - service fee model between UMP and its business customers

3.3 Vision and Mission

UMP's vision, as stated on www.ump.com.hk, is "to give everyone access to trusted and affordable care, so that everyone can freely pursue their dreams without worrying about their health". To achieve such vision, UMP's mission is to "aim to be the most technologically enabled primary care provider in the world".

3.4 Financial performance analysis

As a listed company, UMP publishes its audited financial results in September every year. A summary of UMP's financial performance is set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the year ended 30 June 2022*

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000 (Restated)
Continuing operations			
REVENUE	5	665,859	616,361
Other income and gains	6	21,422	11,308
Professional services expenses		(238,035)	(217,498)
Employee benefit expense		(164,687)	(126,812)
Property rental and related expenses		(11,076)	(10,275)
Cost of inventories consumed		(37,564)	(34,075)
Depreciation and amortisation		(78,617)	(71,042)
Other expenses, net		(65,774)	(74,472)
Finance cost		(3,918)	(3,217)
Share of profits/(losses) of:			
Joint ventures		8	(1,254)
Associates		(1,638)	1,333
PROFIT BEFORE TAX	7	85,980	90,357
Income tax expense	8	(11,946)	(19,780)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		74,034	70,577
Discontinued operation			
Profit/(loss) for the year from discontinued operation	18	1,197	(39,040)
PROFIT FOR THE YEAR		75,231	31,537
Attributable to:			
Owners of the Company			
– From continuing operations		70,502	66,066
– From discontinued operation		1,666	(31,232)
		72,168	34,834
Non-controlling interests		3,063	(3,297)
		75,231	31,537
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic			
– Continuing operations		HK9.12 cents	HK8.68 cents
– Discontinued operation		HK0.22 cents	HK(4.10) cents
Total – included discontinued operation		HK9.34 cents	HK4.58 cents
Diluted			
– Continuing operations		HK9.11 cents	HK8.68 cents
– Discontinued operation		HK0.22 cents	HK(4.10) cents
Total – included discontinued operation		HK9.33 cents	HK4.58 cents

Figure 7- Key profit and loss items in FY2022 vs FY2021

UMP has been growing its business through organic growth and also through acquisitions since 2015. Its Mainland China expansion strategy, however, had led to significant operating losses since 2015. During 2015 to 2018, UMP's Mainland China expansion strategy was focused on opening physical clinics in Mainland China and managing such clinics directly. Such clinics, however, led to significant losses due to the high cost of maintaining such clinics and a lack of sufficiently qualified suppliers (i.e., quality doctors) for private clinics in general.

This vicious cycle between 2015-2020 meant that UMP had to pay above the market salaries to attract doctors, while at the same time, bearing the high cost of running more than 10 clinics spread across Beijing, Shanghai, Guangzhou and Shenzhen. UMP implemented a few strategies to mitigate such loss, including working with private equity funds to share the initial ramp up cost of operating these newly set up clinics. In 2020, UMP decided to divest these clinics and refocused its strategy on its core strength of (i) clinics and service providers' network management, (ii) empowering its Corporate Customers to design competitively priced health plans, (iii) doctors and service providers' accreditation and (iv) in the case of Mainland China, through repositioning its expansion to the Greater Bay Area and developing other new business models such as providing training and establishing public private partnerships with various regional governments for its clinic network expansion.

Such focus, together with its strategy of strengthening the group's services in Hong Kong and Macau through horizontal acquisitions, meant that, notwithstanding the investments being made in expanding UMP's business into the Greater Mainland China

market, UMP still managed to achieve double digit growth in adjusted EBITDA¹⁴. UMP generated HK\$167 million in adjusted EBITDA for the financial year ended June 30, 2022. With such strong operating cashflow, UMP has continued to pay a growing dividend per share since its IPO in 2015 to its shareholders.

UMP's balance sheet remains strong with no debt and a cash & cash equivalent of approximately HK\$235 million as at June 30, 2022.

3.5 Examining UMP's internal environment under the Resource-Based theory framework

UMP stated its intention to expand its business model into Mainland China in its IPO prospectus in 2015 (UMP, 2015). In each of its subsequent annual reports, the expansion into Mainland China has always remained its priorities, as can be seen by the (i) the commitment to invest up to HK\$200 million for Mainland China expansion and (ii) the extensive disclosures in UMP's subsequent annual reports.

The conscious expansion of UMP's business from Hong Kong to Mainland China requires UMP to examine both internal and external environmental factors that may pose threats to UMP's strategies. The internal environment can be understood as UMP's capabilities and resources as they stand today, contributing to UMP's strengths and weaknesses (i.e. the strengths and weaknesses in the SWOT summary), and external environment are regarded as factors that are beyond the control of the UMP, but which could have material impact on UMP's overall operations and expansion strategy (i.e. the opportunities and threats in the SWOT summary). Internal and external environmental

¹⁴ Adjusted EBITDA stands for earnings before interests, tax, depreciation and amortization. It is broadly used in financial analysis as a proxy for the core level of operating cash generated from the underlying business

analysis is critical for companies in planning their strategies, thereby developing a sustainable competitive advantage for its growth, whilst being fully aware of the threats and opportunities as they execute their strategies (Barney, 1991).

3.5.1 The Resource-based View for internal analysis

Barney in 1995 further elaborated that firms need to *look inside* to identify a firm's sustained competitive advantage. Barney explained that firms cannot simply choose to focus on conducting their businesses in high opportunity and low threat environments. Numerous case studies had shown that firms operating in the same sector and under similar external environments can have remarkable different outcomes (Barney quoted the example of Walmart versus K-Mart). Barney suggested that firms need to identify and bring their unique *resources and capabilities* to the competition in order to win. Barney's define resources as including "all of the financial, physical, human and organisation assets used by a firm to develop, manufacture and deliver products or services to its customers" (Barney, 1995).

Barney suggested that for a firm's internal resources and capabilities to deliver sustained competitive advantage, the resources and capabilities must be (i) valuable, (ii) rare, (iii) costly to imitate, and (iv) the resources must be deployed through an organisation that is organised in such a way to exploit its resources. Regarding the organisation criteria, Barney explained that, *complementary resources* (i.e. these resources have limited ability to generate competitive advantages on a standalone basis), such as the organisation reporting structure, human resources policies and planning, compensation policies, internal approval processes procedures, organisation culture are

all factors that would determine and affect how effective the organisation would be in exploiting its resources (Barney, 1991, Barney, 1995).

UMP's internal environment shall be assessed using the four criteria proposed by Barney below.

3.5.1.1 The question of value

UMP's business model of delivering trusted and affordable healthcare brings significant value to its corporate customers, insurance companies' customers and individual patients.

As stated in UMP's IPO prospectus¹⁵ and its subsequent annual reports after the IPO, UMP has invested significant resources to ensure it provides trusted healthcare to its members and patients. Such commitment to trust is illustrated by (i) doctors' and service providers' initial and on-going annual accreditation procedures before they can join UMP's service network, (ii) independent background checks conducted on such doctors and service providers before they can serve UMP's members, (iii) regularly conducting medical committee meetings to review UMP's clinical and administrative service procedures and (iv) in the case of its Mainland China expansion strategy, UMP went as far as developing its own General Practitioner ("GP") training and accreditation programme for Chinese doctors¹⁶, with the goal of setting minimum clinical standards

¹⁵ https://www2.ump.com.hk/files/file/20190927/20190927120924_30975.pdf

¹⁶ The General Practice Oriented Learning and Development Programme, also known as the GOLD programme (www.goldgptraining.com), is a vocational general practitioner programme developed by UMP and which has successfully obtained accreditation from the Royal College of General Practitioners ("RCGP") from the United Kingdom. RCGP is a world-renowned General Practitioners organisation

expected from outpatient doctors who provide services to UMP's members in Mainland China.

UMP has been formulating health plans based on a primary healthcare referral model, meaning that for patients who might require more expensive specialist services, lab services and imaging services, members are first required to consult their GPs and seek referral letters before using such services. This requirement to seek referral from GPs is not just a cost containment strategy of UMP, it is also from the perspective of wanting to deliver to patients a holistic care approach, preventing medically unnecessary examinations, and empowering the GP to act as a patient's overall care coordinator for all the medical needs of the patients.

Through such mandatory GP referral system, UMP has developed its own knowhow and industry knowledge on the pricing and designing of health plans for the appropriate type of Corporate Customers, at competitive and yet differentiated pricings. Such flexible and customised health plans pricing model has enabled UMP to continue to renew its contracts with an increasing number of Corporate Customers over the past decades, providing a predictable income stream for UMP to keep reinvesting back into its business to expand its range of services and strengthen its core capabilities. An illustration of such virtuous cycle is copied below from UMP's investor presentation:

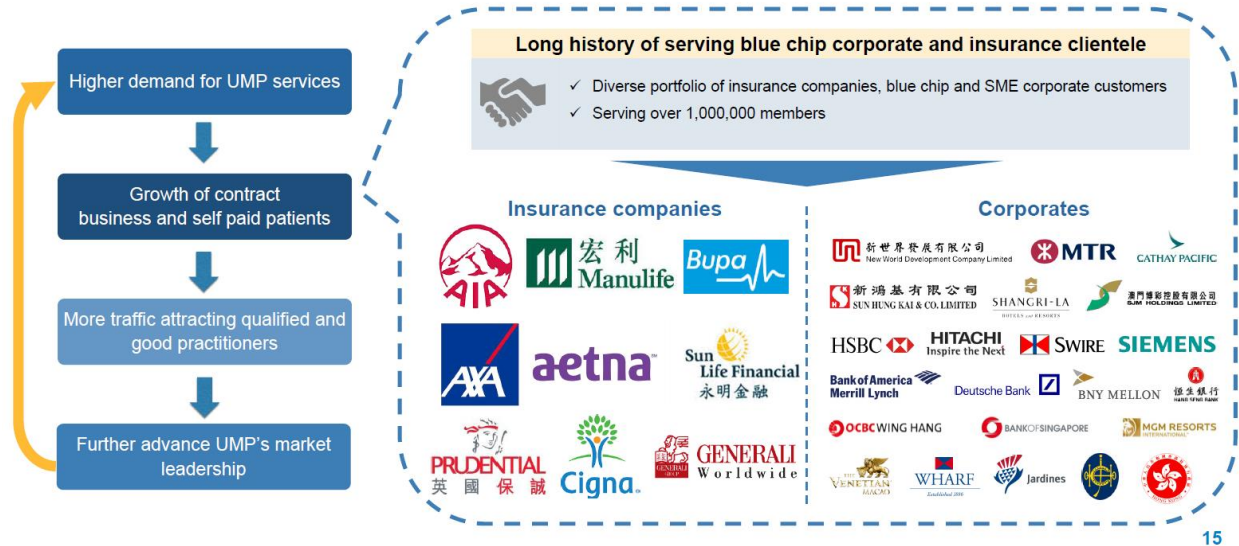


Figure 8 - Summary of corporate customer served by UMP

3.5.1.2 The question of rareness

UMP's business model is not rare in the sense that there are at least 4 other competitors in Hong Kong who are also offering similar corporate healthcare solutions services, some of which has an even bigger service network and better servicing capabilities than UMP. Further, the competitors and UMP are all contracting with similar service providers in the market to provide healthcare services, meaning that UMP itself does not have a monopoly on pricing or service delivery model vis-à-vis its affiliated service providers.

However, UMP's early expansion into the Greater Bay Area, meaning that it could also offer healthcare services in the GBA to corporate customers from Hong Kong (i.e. there are many corporates in Hong Kong who also have operations in the GBA) is a rare resource which other competitors currently are not developing. UMP's combined service network in Hong Kong and in the GBA provides UMP with a temporary competitive

advantage, at least until its other competitors choose to significantly expand their service network in the GBA.

3.5.1.3 The question of imitability

Barney explained that there are generally three categories of reasons for why a firm's resources might be difficult for its competitors to imitate. These are (a) the importance of history in creating the resources of the firm, (b) the importance of numerous "small decisions" that a firm makes in exploiting its resources, in other words, the internal procedures developed by the firm in its operating history and (c) the importance of socially complex resources (Barney, 1995).

UMP was established in 1990 and remains as leading independent health maintenance organisation in Hong Kong. The importance of history and "small decisions" (i.e. how UMP administers its more than 1,000 doctors across Hong Kong through its business administration team) make it very difficult for competitors to imitate due to the high cost in building up a vast service network in Hong Kong, as well as the time required for new competitors to become a supplier to corporate customers (especially insurance companies) in Hong Kong, as established corporate customers and insurance companies generally need to spend a long time to approve new suppliers for healthcare services. Further, healthcare service providers need to have a track record of being able to help insurance companies to contain healthcare costs. The ability to demonstrate such capability only comes with years of clinical data storage and analysis, which new competitors will likely struggle to accumulate in a short period of time.

UMP has therefore established its brand as a trusted partner to corporate customers that continues to deliver trusted and affordable solutions. It will be time consuming and costly for new entrants or competitors to imitate UMP's service offerings.

3.5.1.4 The question of organisation

Based on publicly disclosed reports, UMP appears to have under-invested its resources in building an organisation structure that would equip UMP for its expansion into the Mainland China market. UMP has not been upfront in communicating and preaching to its staff UMP's vision and mission, and what such vision and mission and values means in relation to different business units and UMP.

It was not until the 2019 annual report that there is mentioning of UMP's vision, missions and the corporate values UMP upholds. The corporate values that UMP stated in its 2019 annual report are copied below from its annual results presentation:



50

Figure 9 - UMP corporate values as extracted from UMP's investor presentations in FY2019

Without a firm organisational culture in place, it has been challenging for UMP to establish a talent development and people strategy for recruiting and training its next generation of managers and leaders for future growth. Further, it appears that UMP has struggled to communicate its strategies and corporate values consistently with its UMP China management team, meaning that in 2021, UMP and UMP China also started diverging in their communication to their staff, and which led to different sets of values and strategic priorities for staff working across the Hong Kong and Mainland China offices.

UMP has also suffered from a lack of strategic management and planning since its establishment. There is no formal strategic planning process, no announcement of UMP's strategic initiatives to all staff and hence most staff continue to operate in silo for their respective business units only. This is understandable as UMP had been a private company up until 2015. Even after UMP became a listed company in 2015, most of the strategic decisions continue to be made by UMP's selected management board members only, without involving other senior management team members in the strategy formulation process. This has meant, for example, that various new strategic initiatives were launched under short notice, acquisitions have been made without discussions and alignment with various internal and external stakeholders, leaving staff members to be confused with what directions UMP is heading towards.

Finally, UMP has also under-invested in technology in the past decade. As compared to other competitors in the market, UMP continues to rely on aged IT systems that require significant resources to maintain, while at the same time, due to such aged infrastructures, UMP has not been able to harness various data analytics and artificial

intelligence tools to deliver better data insights for business contract pricings and business process efficiency management.

3.6 Examining UMP's external environment under the PESTEL and Porter's five forces framework

The PESTEL framework, which stands for the political, economic, social, technological environmental and legal factors that may influence the external environment in which a firm would operate in was first popularised in 1996 (Luffman et al., 1996). Managers should actively consider these factors and plan their strategies accordingly. During such factors analysis, managers are also advised to have various scenario planning to predict for situations it may encounter in the future (Walsh, 2005, Yüksel, 2012). UMP and its expansion into Mainland China shall now be analysed below using the PESTEL framework.

3.6.1 Political

UMP operates across Hong Kong and Mainland China. Regarding Hong Kong, there is enough political will to enhance primary care¹⁷, with recent government policies including the setting up of public-private-partnership district health centres and the launch of the voluntary health insurance schemes to make healthcare more accessible to the

¹⁷ https://www.news.gov.hk/eng/2018/11/20181130/20181130_201531_367.html?type=ticker – speech from Ms. Carrie Lam, Chief Executive of HKSAR “First, I am committed to enhancing district-based primary healthcare services which I believe is the key to the right direction. The Food & Health Bureau is now setting up the first district health centre in Kwai Tsing District as I proposed in my Policy Address last year, with a view to starting operation around the third quarter of next year. Operating through district-based medical-social collaboration and public-private partnership, the district health centre will provide a range of services in health promotion, health assessment, chronic disease management, community rehabilitation, hence putting emphasis on all levels of prevention.”

Hong Kong population. Hong Kong government is also under significant pressure to reduce waiting time for services at various public hospitals, and has submitted proposals by working with the Hong Kong Medical Council to make it easier for foreign qualified doctors to practice in Hong Kong¹⁸.

However, the worsening of the COVID situation in Hong Kong since December 2021 has raised questions on Hong Kong's capabilities in handling possible future pandemic outbreaks on its own. While Mainland China has always maintained its "one country, two systems" approach to the governance of Hong Kong, the apparent mishandling of the COVID outbreak has caused significant grievances on the Hong Kong population overall, leading to politicians in Hong Kong actively seeking help from the Central government, and the Central government also becoming increasingly vocal and directional on how the Hong Kong government should be handling the COVID situation¹⁹.

Hong Kong has been in a conundrum as an international city on its COVID handling strategy. On the one hand, Hong Kong wants to remain connected with the ex-Mainland China economies by possibly adopting the herd immunity approach. However, the herd immunity approach requires a high population vaccination rate, especially for the elderly population, which Hong Kong, so far, has failed to achieve. On the other hand, Hong Kong must remain connected to the Mainland China market overall, but Mainland China continues to maintain a dynamic COVID zero strategy²⁰ that stands in contrast to Hong

¹⁸ https://www.ha.org.hk/visitor/ha_visitor_index.asp?Parent_ID=2010&Content_ID=250636

¹⁹ <https://www.scmp.com/news/hong-kong/health-environment/article/3168530/mobilise-all-forces-and-resources-mainland>

²⁰ <https://www.scmp.com/news/hong-kong/health-environment/article/3166772/coronavirus-what-hong-kongs-dynamic-zero>

Kong's approach. The current COVID situation in Hong Kong has led to the Chinese government sending health officials to Hong Kong that gently directs how Hong Kong should be handling the COVID outbreak, including the upcoming mandatory PCR testing of the entire Hong Kong population. Any such mandatory testing arrangements will inevitably lead to questions around patient data privacy and handling of personal data, a topic in which Mainland China's approach to public health safety had stood above personal data privacy, and which is in sharp contrast to Hong Kong government's view on personal data privacy.

It remains to be seen, in the healthcare sector, whether Hong Kong will continue to remain truly independent in formulating its own healthcare policies and strategies in the future, or whether the Central Chinese government will increasingly have influence on the development of Hong Kong's future healthcare policies (Fitzner et al., 2000). A recent topic is also on elderly homes²¹, where Hong Kong's shortage of land and labour forces mean that Hong Kong's elderly population may eventually be required to be relocated to Mainland China for continuing healthcare services in aged homes (HKSAR, 2021). All these developments will likely lead to open dialogues about the increasing integration of Hong Kong's healthcare ecosystem with Mainland China's healthcare ecosystem and policies.

²¹ HKSAR 2021. The Chief Executive's 2021 Policy Address - Building a Bright Future Together. Hong Kong: Hong Kong Special Administration Region, the People's Republic of China. Para 125 - "Meanwhile, we will continue to increase the service places for day care and home care services to enable the elderly and persons with disabilities to age in place and live with their families. To facilitate our elderly people to retire in the Mainland, the Government will explore the extension of the Residential Care Services Scheme in Guangdong to cover other eligible residential care homes for the elderly in Mainland cities of the GBA, and the relaxation of the one-year continuous residence in Hong Kong requirement regarding applications for the OALA and the Old Age Allowance."

Regarding Mainland China, the Chinese Government has also made reforming of primary care one of its key national healthcare initiatives. With an ageing population, prevalence of non-communicable chronic diseases and a fast increasing health expenditure, the Chinese government has launched series of health reform initiatives, one of such being the primary healthcare reform, with the Chinese government investing significantly on recruiting, training and retaining GPs to practice at community health centres. The Chinese government understands that making healthcare services accessible to the mass public is one of the key tools in maintaining a stable country. In addition, as part of the Chinese government national policies of developing the GBA, Hong Kong will play an important role in sharing its expertise in various sectors, in particular, in the healthcare sector.

Finally, the Central Chinese government's Greater Bay Area initiatives will likely position Hong Kong as a financial and knowledge-based sector for the benefit of the Greater Bay Area. Specifically, in healthcare, there have been numerous policies encouraging Hong Kong companies to invest in the GBA in setting up healthcare facilities to provide healthcare services²²²³²⁴, including also facilitating the development of health insurance products that can be used throughout the GBA, including Hong Kong. These policies all present great opportunities for UMP to seize for achieving its growth objectives.

In summary, both from government policies (i.e., the Greater Bay Area initiatives) and from a market opportunity perspective, it is foreseeable that healthcare services

²² <https://gba.investhk.gov.hk/en/facilitation-measures/medical-services.html>

²³ <https://www.chinadailyhk.com/article/249599>

²⁴ <https://www.bayarea.gov.hk/en/opportunities/mainpoints-medical.html>

providers would likely face increasing market demand and policy directions for further integration with the Greater Bay Area. Service providers, like UMP, who proactively address these opportunities would be best positioned to identify new potentials for growth, whilst also strengthening its market positioning to differentiate itself from other market competitors.

The first mover from Hong Kong in establishing a strong presence in the GBA market will have significant growth opportunities both from organic expansion in the GBA, and also from establishing its brand to facilitate GBA residents to seek healthcare services when they travel to Hong Kong to seek differentiated healthcare services (Heung et al., 2011, Ye et al., 2011), including but not limited to getting access to medical treatments (i.e. drugs that are already FDA approved but not CFDA approved) that are not yet available in Mainland China.

3.6.2 Economic

Healthcare cost inflation is a global problem being faced by all governments around the world. With advances in technologies (which, for most part, bring better and more available treatments to patients, but also inadvertently led to more expensive services too) and ageing population, the affordability of healthcare services must be considered from the patients', providers' and payers' perspectives.

In both Hong Kong and Mainland China, where the governments and private healthcare service providers are competing for both patients and talents (i.e., medical professionals), there is an increasing trend for medical institutions, for both clinical excellence and reputational reasons, to keep advancing the latest medical technologies

and researching on breakthrough first in class therapies. From a public health perspective, the availability of these new therapies, whilst good for patients, have also led to significant political debates on whether and how such known therapies could be paid for²⁵. Should government pay for these costs, or should insurance companies cover these expenses?

Further, the escalation in healthcare costs is increasingly coming from non-communicable diseases that are generally life-style related. The prevalence of chronic diseases including diabetes and hypertension have led to great strain on our healthcare systems overall, coming in the form of long-term medication costs for chronic disease patients, as well as correlating costs from complications that could lead to hospitalisations (e.g., surgeries for diabetes foot ulcers) if such chronic conditions were not well managed. Other social factors such as smoking, drinking and obesity are also contributing the escalating healthcare costs for the society too. The National Health System from the United Kingdom, once heralded as the healthcare system that all governments globally should learn from due to its accessibility and affordability, have also cited that the services it currently offers to its population is increasingly becoming not sustainable²⁶. Most importantly, healthcare service providers (in particular, doctors and nurses) are under increasing stress due to expanding workload in hospitals, and especially so during the COVID pandemic.

²⁵ <https://www.mma.org/gene-therapies-offer-breakthrough-results-but-extraordinary-costs/>

²⁶ <https://edition.cnn.com/2018/02/10/health/uk-nhs-universal-health-coverage-crisis-point-intl/index.html>

A recurring theme globally, and further in Hong Kong and Mainland China has emerged on how governments could handle the increasing healthcare costs, and that is through *advancing the development of the primary healthcare systems*. The World Health Organisation has published extensively on how a functioning primary healthcare system that equip general practitioners and nurses to play greater roles in looking after the health of the population would help to contribute to the sustainability of our healthcare system overall (Organization, 2015). Similar publications by both the Hong Kong and the Mainland Chinese governments are also calling for increasing investment in strengthening the development primary care, (Ho, 2020, Li et al., 2020) and where it has been suggested that for every HK\$1.00 invested into primary care, HK\$8.40 is saved in costs on acute care²⁷.

In summary, it is a foreseeable trend that, for healthcare services to be more accessible and affordable, both the Hong Kong and the Mainland Chinese governments will place increasing focus and investments on the development of primary care. A conscious approach to invest in primary care and in partnering up with governments will create potential growth opportunities for UMP. Such form of public private partnerships is encouraged by governments in both Hong Kong²⁸ and in Mainland China.

3.6.3 Social-cultural

One of the core healthcare issues faced by both the Hong Kong and Mainland Chinese government is our ageing population. Beyond the economic burden of looking

²⁷ Our Hong Kong Foundation. Fit for Purpose: a health system for the 21st century. 2018. Available from: [https:// www.ourhkfoundation.org.hk/sites/default/files/media/ pdf/ohkf_research_report_digital_1201.pdf](https://www.ourhkfoundation.org.hk/sites/default/files/media/pdf/ohkf_research_report_digital_1201.pdf).

²⁸ <https://www4.ha.org.hk/ppp/en>

after our ageing population as analysed above, practical issues such as long waiting time for specialist consultations and hospitalisations²⁹, the lack of trained professionals to guide our ageing population in the management of chronic diseases such as dementia, diabetes, post stroke recovery, cardiovascular illnesses and mental health are all contributing to the population's increasing discontent with the healthcare systems.

In Hong Kong, the lack of aged housing facilities and ageing care professionals (i.e., care givers and nurses) also means that many senior citizens are experiencing decreasing quality of life after retirement. The recent outbreak of COVID in Hong Kong, where most of the death cases thus far are concentrated in cramped aged homes (which exacerbated the spread of COVID)(Lum et al., 2020), highlights that Hong Kong's approach to looking after its ageing population is in urgent need of reform. Further, in the Chinese culture, as compared to Western countries that have had many years of developing the palliative care service model, the topic of preparing for death and end of life care planning is generally viewed as sacrilegious and should be avoided. The unwillingness to have such open dialogues to plan for ageing means that the current healthcare system approach to elderly care still continues to be curative (i.e. putting elderly in hospitals and nursery homes, and be supported by advanced medical devices), which poses great strains on both the government and families involved in terms of healthcare facilities demand and monetary costs(Cheng, 2018).

In 2015, Mainland China had approximately 144 million people aged 65 years or older, which accounts for 10.5% of Mainland China's population. People aged 65 and

²⁹ <https://www.scmp.com/comment/letters/article/3157900/ageing-hong-kong-needs-shorter-wait-times-specialist-doctors>

older is expected increase to 366 million by 2050, representing 26.1% of Mainland China's expected population. People aged 80 years or older is expected to increase from approximately 22 million (1.5% of Mainland China's population) in 2015 to a projected 115 million (8.2% of Mainland China's population) in 2050³⁰. Such inevitable trend has led the Chinese government to launch various national policies to promote the growth of aged care services, most evidently in the form of encouraging the construction of aged residential homes with both government and private funding. However, a recurring theme continues to be a lack of workforce trained for long term care, and especially in the training of healthcare workers and the necessary integration of healthcare services with long term care services³¹ to deliver holistic care to older people (Feng et al., 2020).

In summary, long-term care is expected to be on the top of both Hong Kong's and Mainland China's governments priorities for the foreseeable future. Such priorities will inevitably require public-private-partnerships, especially on the training of both medical and long-term care staff, and with reference to, and learning from, Western countries who have had greater experiences in developing palliative and long-term care as a sector.

For healthcare providers like UMP, there is great market opportunity to provide training to workers, and designing healthcare service solutions (such as virtual consultations, home visits and nursing care) to both governments and affluent self-paid consumers who wish to procure integrated healthcare and long-term care services for their families.

³⁰ UN. 2019 World population prospects. 2019. <https://population.un.org/wpp/>

³¹ The official Chinese government terminology is 医养结合, which translates to the integration of medical and long-term caring services together for holistic caring of older people

3.6.4 Technological

Technological development in healthcare has led to proliferation of new therapies and new medical devices being made available to our society. With Mainland China's vast population, the biotech industry has experienced significant growth and development over the last decade (Wang et al., 2018), and has been well supported by both the Chinese government and private capital. Many newly founded biotech and medical device companies are researching best-in-class and first-in-class therapies for both the domestic Mainland China market and for exporting to international markets. Both the Hong Kong and Mainland Chinese government have committed to investing in healthcare technology. In Hong Kong, the latest 2022 government budget has committed over HK\$10 billion to promote the expansion of life and health technology in Hong Kong³². The Hong Kong stock exchange, as at 31 March 2021, had also approved 63 new healthcare and biotech listings, raising over HK\$190 billion³³.

Mainland China is in a leading position on technology application to the healthcare sector. Such technological innovations are already leading to advances in administration procedures such as online booking for hospitals and clinic services, medical expenses claims administration and access to electronic medical records, to more advanced applications such as using artificial intelligence to examine medical images and providing clinical suggestions for potential diagnosis.

³² https://www.news.gov.hk/eng/2022/02/20220223/20220223_100726_734.html

³³ https://www.hkex.com.hk/News/Media-Centre/Special/HKEX-Celebrates-Third-Anniversary-of-New-Listing-Regime?sc_lang=en

In particular, the application of artificial intelligence in healthcare for (i) diagnosis purposes, such as early cancer detection, infectious disease detection (Hu et al., 2020), AI-based diagnosis recommendation, imaging analysis, for (ii) therapeutic applications such as AI assisted robotic surgery, digital therapeutics for mental health, precision medicine, for (iii) population health management such as public health education, chronic disease management, healthy lifestyle promotion and in (iv) administrative areas such as quality based outcome assessment and insurance claims analysis are all capable of creating entirely new industries that will generate significant economic value for governments, investors and our society (He et al., 2019).

Beyond artificial intelligence, 5G technology (Li, 2019) and the increasing effectiveness of telemedicine (Hong et al., 2020) are all factors contributing to the advancement of the technological applications in the healthcare sector.

In summary, as one of the most established healthcare service providers in Hong Kong, and with an expanding geographical presence in Mainland China, UMP should seize this opportunity to invest, ahead of time, to apply various technologies to its existing business operations, as well as seizing new growth opportunities to develop new service models.

Further, since UMP itself is not a technology company and does not possess the necessary human resources or experiences, yet, given its vast experience and reach to patients and providers (UMP delivers and processes over 1.3 million patient visits a year, generating a vast amount of relevant data), UMP can leverage on other technology companies to help itself on its digital transformation by forging partnerships to strengthen

and shorten its time in rolling out new services and products. The investment in technology is both an offensive and defensive move to create new opportunities and to also prevent other healthcare players from potentially stealing market share from UMP.

3.6.5 Environmental

Of the six PESTEL factors, the environmental factor is likely of less relevance in assessing UMP's business model and future strategic planning. UMP's business model overall does not generally cause any negative environmental impact. Certain aspects of the business such as infection control, handling of medical equipment and medical wastes handling are handled by professional firms as required by regulations. UMP is also beginning to digitalise its business to reduce paper consumption.

3.6.6 Legal

The healthcare service sector in both Hong Kong and Mainland China is highly regulated. Regulations and industry best practices include but are not limited to the licensing and registration of medical practitioners (i.e. doctors, nurses, physiotherapists, laboratory technicians) and medical facilities (i.e. hospitals, clinics, imaging facilities, laboratories), registration and usage of pharmaceutical products and devices, handling of patient data and data privacy regulations, provision of healthcare services over the internet and the design and servicing of health insurance products.

Strict compliance with regulations is critical for UMP to maintain its day-to-day operations. With the increasing integration of Hong Kong with Mainland China, it is expected that regulations would also evolve to eventually allow greater collaboration and

integration of medical practitioners, pharmaceuticals, devices and even health insurance products across Hong Kong and Mainland China. Whilst Hong Kong has traditionally been a Western medicine trained healthcare workforce, it is also expected that the Hong Kong government will give increasing recognition to traditional Chinese medicine as alternative or complimentary therapies for its population (Wong et al., 2021). Further, Mainland China has welcomed the development of telemedicine as one of the solutions in alleviating the vast traffic at its public hospitals and in promoting continuation of care outside of hospitals. Most recently, the Chinese government has publicly stated the important of internet + healthcare for providing better care and greater access to healthcare for its population³⁴.

In summary, although regulations generally lack behind the market demand for our evolving healthcare services, as a private healthcare organisation, it is in UMP's interests to continue to work closely with the governments to stay on top of the latest development in regulations, and actively seizing such opportunities to expand its business. Of relevance to UMP would be the development of telemedicine and internet + healthcare business models, the possible deregulations of both medical professionals and drugs registrations regimes that would allow mutual recognition across Hong Kong and Mainland China, and the increasing integration of healthcare service provisions that would allow Hong Kong citizens to seek healthcare from Mainland China healthcare facilities. By actively positioning UMP as a service group that has operations across both Hong Kong and Mainland China, UMP will be able to seize such deregulation opportunities for expansion and growth.

³⁴http://english.www.gov.cn/statecouncil/ministries/202111/16/content_WS61930054c6d0df57f98e5057.html

3.7 Porter's Five Forces Analysis

The PESTEL analysis sets out the external environment in which UMP operates in and must consider in its planning. Next, the Porter's Five Forces Analysis will be used to analyse UMP in the context of Hong Kong's and Mainland China's healthcare industry, with the goal of concluding with UMP's SWOT analysis and summarising its corresponding strategy for its expansion in Mainland China.

The five forces analytical framework was introduced by Michael Porter in 1980 (Porter, 1980) as a framework to help organisations to analyse their positions in an industry with consideration to the threats posed by competitive rivalry, powerful buyers, powerful suppliers, potential new entrants, and substitute products. According to Porter, "the collective strength of the forces determines the ultimate profit potential in the industry". Porter also emphasized potential to use the five forces framework to analyse strategic implications for organisations within an industry (Porter, 2008).

An Overview of the healthcare sector in Hong Kong

The following overview is summarised with information extracted from the Our Hong Kong Foundation industry report (Our Hong Kong Foundation, 2018).

Hong Kong has the highest life expectancy in the world³⁵ thanks to its advanced healthcare services. However, it is facing an ageing population problem. The number of

³⁵ <https://www.bloomberg.com/news/articles/2018-09-19/u-s-near-bottom-of-health-index-hong-kong-and-singapore-at-top>

elderly people aged 65 or above is projected to increase from 18.4% of the total population in 2019 to 33.3% in 2039.

An ageing population and increased health consciousness have led to increasing demand for healthcare services. Healthcare services in Hong Kong are provided by both the Hong Kong government and by the private sector. Of the total expenditure for Hong Kong, the public and the private sector are each responsible for approximately 50% of the expenditure. The public system primarily addresses in-patient demands, and the private sector primarily addresses out-patient services for the population. For private expenditure, out of pocket expenses by patients represent most of the funding, with private health insurance also increasingly contributing to payment for healthcare services, especially for specialists and in-patient expenses.

There are 43 public hospitals and institutions, 49 specialist out-patient clinics, 73 general out-patient clinics which are managed by the Hong Kong Hospital Authority and 13 private hospitals in Hong Kong. These hospitals offer a wide range of medical treatment and rehabilitation services.

Demographic trends have an important impact on the medical services sector. According to the Hong Kong Census and Statistics Department, the population in Hong Kong is expected to age considerably in the coming years. The number of elderly people aged 65 or above is projected to increase from 18.4% of the total population in 2019 to 33.3% in 2039. As we head towards over 2.5 million elderlies in Hong Kong, there will be a sustained increase in healthcare expenditure and the demand for medical services.

According to the Hong Kong Food and Health Bureau, Hong Kong's health expenditure (the total of public and private health expenditure) is around HK\$189.6 billion (US\$24.3 billion) in 2019-20. The health expenditure as a percentage of GDP has been increasing steadily, with the percentage going up from 5.1% in 2010-11 to 6.8% in 2019-20³⁶.

An overview of the healthcare sector in Mainland China

Over 90% of patient flow is captured by public hospitals, which is the major channel for dispensing prescription drugs in Mainland China. More importantly, drugs used to be the key sales/profit contributor to hospitals and the source for rebates to physicians in Mainland China, given the artificially lower service fees and physicians' compensation, but the recent hospital reform policies, e.g., "zero drug markup" and "control on drug sales to hospital revenue ratio" (<30%, vs. used to be over 50%), have led to a decline in supportive medicines or therapies without clear clinical benefits (Yip et al., 2019).

The growth of drug consumption at hospitals was largely capped by the growth of medical insurance funds' annual budgets, which is a function of fund inflows from contributors. With the setup of a new Bureau of Health Insurance, consolidating the supervision responsibility of three medical insurance schemes to form a uniform national healthcare insurance system, the single payer's bargaining power is likely to be strengthened and could play a key role in addressing the affordability of medical products/services in Mainland China. As the result of a single payer system with constraints on expanding the medical insurance fund size and the slow opening to

³⁶ <https://research.hktdc.com/en/article/MzEzOTQ1MjMz>

commercial insurance, the Chinese government is putting stringent controls on medical costs. Over the next years, the ramp up of new drugs/therapies that offer clinical benefits to patients will be at the expense of lower quality/unnecessary medicines, driving prescription mix shift, hence structural reform.

Over the longer term, the establishment of a more diversified payer system is seen as inevitable to facilitate the emergence of an affordable and accessible healthcare market (Organization, 2019, Meng et al., 2019).

3.7.1 Bargain Power of Suppliers

The core suppliers for UMP's business model are high quality doctors practicing evidence-based medicine and who are also patients / customers centric in providing friendly services. In Hong Kong, UMP does not have much bargaining power over these types of doctors, as they can easily work for themselves by opening their own practice (i.e., in Porter's framework, from the perspective of UMP, this would be akin to supplier forward integration) or work for another healthcare organisation. This has therefore led to healthcare organisations competing based on offering higher salaries to these doctors, offering other better employment terms such as more holidays and more freedom on work schedules.

In Mainland China, healthcare organisations similarly do not have much bargaining power over experienced and well-known doctors. Most doctors prefer to work in public hospitals due to better promotion opportunities, learning opportunities and eventual potential transition to management roles. For the good and capable doctors who are

already practicing in the private market, they are usually in high demand by private healthcare organisations like UMP (i.e., driving up salary costs) or would prefer to open their own clinical practices. In conclusion, UMP has little bargaining power over its suppliers based on the *traditional model* of hiring doctors to provide services in UMP's managed or partnership clinics.

Implications for UMP

The strong bargaining power of suppliers has an overall negative effect on UMP. As a service coordinator, this means that UMP needs to develop human resources policies to keep its providers (especially its doctors) working with UMP and not just competing based on higher payments to doctors. It is foreseeable, and it is already happening in both Hong Kong and in Mainland China, that well capitalised healthcare groups are paying above market salary packages to hire doctors. Beyond remuneration, healthcare groups must also continue to invest in other infrastructures to differentiate itself from other competitors (i.e., supporting staff, developing a corporate culture to recruit and retain staff).

However, primary care doctors in both Hong Kong and Mainland China are comparatively underserved and underpaid, yet primary care doctors (for the reasons stated in the PESTEL analysis above) would become increasingly important in ensuring a continuation of care for patients. Further, there is a greater supply of primary care doctors in both Hong Kong and the Mainland China market. As such, UMP could focus on developing its primary care infrastructures and stay away from competing with other providers for specialist doctors.

3.7.2 Bargaining Power of Customers

The end customer that UMP aims to serve are patients themselves. However, patients can choose to pay for UMP's healthcare services through (i) out of pocket payment, (ii) employer covered healthcare plans (this has been UMP's core business model from the beginning), (iii) privately purchased healthcare insurance and (iv) services directly funded by the governments, where patients seek healthcare services from public hospitals and clinics directly. Set out below is a brief analysis of each category of customers:

Customer type	Bargaining power of customer	Implications for UMP
Self-paid customers for healthcare services	Customers have strong bargaining power vis-a-vis UMP and other healthcare services provider as they can easily access their own doctors through cash payment. In both Hong Kong and Mainland China, "doctor shopping" is a very common phenomenon	Recruit and retain well known specialist doctors and provide convenient access through more physical clinic locations
Patients seeking healthcare services through providers selected by employer covered healthcare plans	Employers are at will to choose healthcare service providers for their staff. Key consideration is on coordination of care (including claims processing, benefits coverage, number of doctors and clinical sites available), which means that there are a limited number of service providers who could provide these services. Employer therefore have a	UMP is in a relatively strong position as it has been coordinating many service providers to corporates for over 30 years. UMP needs to continue to strengthen its provider network by providing a wider range of services (i.e., imaging, laboratory, health check-up centres), more digital service offerings to entice employees to use UMP's services (i.e., more

Customer type	Bargaining power of customer	Implications for UMP
	comparatively weak bargaining power vis-à-vis UMP given the lack of managed care organisations in both Hong Kong and in Mainland China	convenient digital booking for services) and more clinic locations
Patients seeking services through providers selected by insurance companies	Similar considerations to Employer benefits scheme Private insurance companies however also require greater accessibility and coordination for in-patient services. Here, UMP's bargaining power is comparative weak as UMP is primarily an out-patient service provider only in both Hong Kong and in Mainland China	Similar considerations to Employer benefits scheme, UMP should keep expanding its specialist resources and service scopes to attract insurance companies to select UMP as a preferred service provider. Further, UMP should strengthen its accessibility to hospitals and in-patient services
Patients accessing the public healthcare system	UMP has no bargaining power vis-à-vis the public healthcare system, as the healthcare services provided by the public healthcare system generally covers more advanced specialists services, as well as providing nearly full coverage for the costs of chronic disease medications	UMP should provide differentiated services to the governments and provide better customer journeys such as accessibility, convenience and digital services (i.e., digital booking, telemedicine, home medication delivery). UMP needs to position itself as a service brand that provides differentiated services to what the governments provide

Implications for UMP

UMP needs to continue to stay focus on its core service offering, and that is, continuing to strengthen the size of its GP network in both Hong Kong and Mainland China. UMP is primarily a GP network group that coordinates the healthcare needs for its patients. By staying focus to such offering, UMP will have a comparative advantage versus its competitor's specialist expansion approach. That is not to say UMP will not expand its specialists services, but rather, given the resources available, UMP should put a greater focus on strengthening its GP network, which would ultimately lead to greater patient traffic to facilitate the recruitment and retention of specialists (due to a higher patient volume for referring cases to specialists, thereby attracting specialists to join), and which then further strengthen its overall service scope offering, attract more employer and insurance groups to contract with UMP to provide services to their respective employees and policy holders.

3.7.3 Potential entry of new competitors

Providers of healthcare services

UMP provides a wide range of healthcare services in Hong Kong. There will likely to be a continuous flow of new healthcare services providers entering the market. Just in Central alone in Hong Kong, more than 5 large scale, multi-specialty centres providing a wide range of both GP and specialist services have opened in since 2017.

In Mainland China, the public healthcare system, which consists of both hospitals and community health centres, continue to be the biggest provider in terms of total number of annual outpatient visits. As analysed in chapter 2, UMP's biggest incumbent

competitors in Mainland China is the public healthcare system, and in particular, the outpatient department of various public hospitals. These hospitals have vast resources and have built a strong reputation in delivering quality healthcare services. UMP currently does not provide much outpatient services directly in Mainland China (UMP's core business model is on partnership with regional governments to set up public-private-partnership clinics) and therefore do not see other private healthcare service providers as material competitors.

The barriers to entry for delivering outpatient services are high. New market entrants need to invest significant capital to first set up healthcare facilities and obtain licence from regional governments. Next, entrants need to recruit qualified medical professionals to join your organisation and must be trained to provide both clinical and non-clinical services. Significant investments must also be made in technology and in branding. As mentioned above, suppliers have superior bargaining power to healthcare service providers in both Hong Kong and in Mainland China, which means that it is a challenge to new entrants to quickly build up a workforce to deliver quality healthcare services.

The Hong Kong market is already saturated with 4 sizeable health plan coordinators. The cost of setting up a health plan management company is significant, including investment in IT infrastructures, setting up 24/7 hotline services and hiring significant number staff to handle claims and account enquiries, product designs and pricings. At the same time, due to the other factors listed above (high set up costs, high medical professional costs), the margins for health plans management are facing

increasing pressure, meaning that it seems unlikely for new competitors to enter this business segment. This explains why, to date, there is only a handful of medical chains in both Hong Kong and in Mainland China, and hence why UMP has been able to maintain its business model of contracting with employers and insurance companies.

Implications to UMP

UMP should, again, stay focus on its core GP service offering and keep expanding its clinic network to capture a larger patient volume base. UMP has a comparative advantage to other competitors and new entrants given its longstanding operating history in Hong Kong, which means it can more easily recruit professionals to join UMP. In healthcare services, there is also a natural “existence” entry barrier, meaning that the longer you have been in existence in the market, the more established your brand would be in the eyes of the consumers and medical professionals. UMP should continue to emphasise on its 30-year history when it competes for customers and medical professionals to join them.

3.7.4 Threat of substitutes

In Hong Kong, there is currently less of a threat of substitutes for coordinated healthcare services that relies on GPs to serve as healthcare services coordinator and gatekeeper for healthcare expenditures for payers / insurance companies. In Mainland China, however, as the GP market is at its infancy, significant market education is still required for both end users (i.e., patients) and sales (i.e. Corporate Customers in Mainland China) to accept or believe that GPs can act as their healthcare coordinator.

Chinese users have grown accustomed to seeking healthcare advice online through various portals, a list of these internet healthcare players is set out below:

Company	Description
WeDoctor	WeDoctor is China's leading technology-enabled healthcare solutions platform, providing seamless online and offline healthcare services as well as integration of general practitioner and specialist doctors. Founded by Jerry Liao and his team in 2010, WeDoctor operates four main business segments, namely, WeDoctor Healthcare, WeDoctor Cloud, WeDoctor Insurance, and WeDoctor Pharma. WeDoctor brings together government, hospitals, doctors, pharmaceutical companies and financial institutions to create an innovative and holistic healthcare provision and funding ecosystem. On the WeDoctor platform, there are over 2,700 hospitals, 260,000 leading doctors, 20,000 pharmacies and 180 million real-name registered users.
PAGD	Ping An Good Doctor leverages on its in-house full-time medical team and its proprietary AI-based consultation system to provide users with timely and quality medical services, covering 24/7 hour end-to-end services including online consultation, prescription, referral, registration, second medical opinion and 1-hour drug delivery. As of 30 June 2019, the number of registered users reached 289.3 million; the number of monthly active users and the number of monthly paying users reached 62.7 million and 2.2 million respectively. In addition, Ping An Good Doctor also leverages their competitive advantages to help the insurance companies and financial institutions differentiate and enhance their value proposition and solve their customer pain points in accessing quality medical services.
DXY	DXY is a leading connector and digital service provider in the healthcare industry of China. Through the past 19 years, DXY has built a leading online forum for physicians, launched a series of mobile applications, opened its wholly-owned clinics. DXY's services include professional information sharing platform, comprehensive data accumulation and management, high-quality medical services, which connect hospitals, physicians, researchers, patients, pharma, and insurance payers. By the end of 2016, DXY has tens of millions of public users in China, and more than 5.5 million registered life science members, including 2 million physicians. DXY has opened DingXiang Family Clinics in Hangzhou and Fuzhou, with plans for a continual expansion to metropolitan cities in the near future.
Tencent DoctorWork	Tencent Doctorwork is an internet and medical platform jointly funded by Tencent, Medlinker and Sequoia Capital China, offering quality, safe and comprehensive health management services for individuals and their families. Currently, Tencent Doctorwork has established 47 offline clinics in 8 cities such as Beijing, Chengdu, Shenzhen, Nanjing, Shanghai, etc. Their online platform has 440,000 verified doctors , 9.4million registered users, and connected with 30,000 hospitals. It is expecting to have 500 offline clinics in 15 cities by 2021.

Source: <https://www.linkedin.com/company/weddoctor>, <http://www.pahtg.com/en/about-us/company-overview>
<http://www.dxy.cn/pages/about.html>, <https://tr.zyigoonet.com/article/26957315.html>

Figure 10 - Description of internet healthcare players in Mainland China

These new internet portals have provided significant conveniences to users by providing access to healthcare consultations through mobile phones, pharmacy home delivery, offline clinic booking and electronic medical records. Most of these portals are also very innovative in customers and patient engagement by actively working with different distribution channels (i.e., banks, insurance agents, fitness centres and pharmaceutical companies). As these internet portals gain further acceptances and with their increased investment in technology, these internet portals have the chance to become the new model for coordinated healthcare, accurately helping patients to seek the most appropriate care using technology, instead of patients seeking services through GPs only.

Implications for UMP

The threat of substitutes is therefore not just from other traditional healthcare service providers, but potentially from non-healthcare service players who wish to enter the healthcare service industry through other channels (e.g., through the online drug distribution channel or social application channels like Tencent's Wechat programme). UMP should proactively consider and examine how these non-healthcare service providers are entering the market, and position itself to be a partner to these channels, both as an offensive move to secure new customers, and also as a defensive move to encourage these channels to not go ahead and set up competing facilities.

An example worth noting is Tencent, an internet company, started setting up outpatient clinics in Shenzhen and in Chengdu in Mainland China in 2017. As of December 31, 2021, most of these clinics have shut down due to lack of patient traffic and medical professionals joining them³⁷. UMP should seize these multi-channel partnership opportunities to increase its brand and presence, as its professional healthcare services would be complimentary to these technology firms in building an integrated online merge offline service models for users and patients.

3.7.5 Rivalry among competing firms

In Hong Kong, rivalry remains intensive among the established HMO players, with each player constantly expanding their respective scope of services, investing further in

³⁷ <https://new.qq.com/rain/a/20210110a07w9800>

digitalisation of both administrative and clinical procedures, and worst of all, even competing on pricing when the cost of suppliers continue to increase.

In Mainland China, UMP fortunately operates relatively under the radar, as most potential competitors do not actually view UMP as a threat due to UMP's clear positioning as a primary care service provider.

The Hong Kong market remains competitive and likely to remain so in the near future. Growth opportunities in Hong Kong will likely be driven by horizontal acquisitions of other service providers (as UMP has done so since 2015), but such opportunities are ad hoc in nature. Mainland China, on the other hand, presents an unprecedented opportunity for UMP to expand its service offerings. More specifically, it is recommended that UMP should focus on developing new products by first focusing on the GBA.

Overall industry attractiveness to UMP

From the PESTEL and five force analysis above, the industry of providing primary healthcare services, with an emphasis on the public-private-partnership model for expansion in both Hong Kong and in GBA, is attractive to UMP given its long history of operations and its focus on primary care and in the GBA as a differentiated strategy.

In section 3.5 to 3.7, a comprehensive internal and external environmental analysis has been conducted on UMP. First, set out below is a summary of UMP's internal environment analysis under the resource-based view framework:

No.	Resource-based View analysis	Summary for UMP	Relative Strengths / Weaknesses as compared to competitors	Implications for UMP
1.	Value	Unique primary care physician focused business model since 1990		Continue to significantly invest in building its primary healthcare delivery system
2.	Rare	Vast provider service network in Hong Kong with a first mover advantage in the GBA		UMP has a temporary first mover advantage in its expansion in the GBA, especially in 2019-2022 when its competitors all retreated from their expansion in the GBA
3.	Imitability	Long history of providing healthcare solutions to corporate customers and insurance companies		Continue to strengthen its quality of healthcare services and administration services to better serve both its corporate customers and individual customers
4(a).	Organisation	Vision, mission and values – unclear directions for management team across Hong Kong and Mainland China		UMP needs to clearly communicate its vision and mission to all employees, business partners and shareholders so that all stakeholders have alignment in their expectations for their involvement
4(b).		Strategic planning – lack of involvement of staff in its planning; strategies are not communicated effectively to all staff		UMP needs to better align its strategies to all stakeholders, leveraging on the 3H framework and the strategy map approach to provide guidance on planning and communications
4(c).		Human Resources – lack of strategic planning makes recruiting and staff retention challenging		UMP's compensation and promotion policies are not in line with market practice, leading to high staff turnover and hence high cost for knowledge retention and transfer. UMP needs to revamp its human resources strategy
4(d).		Financial Resources – UMP is debt free and has significant cash reserves		UMP should be bold in making investments in its human resources strategy by revamping its compensation and retention policies to be at least in line with the market; UMP should also set up new business units to capture and execute on its existing and new initiatives

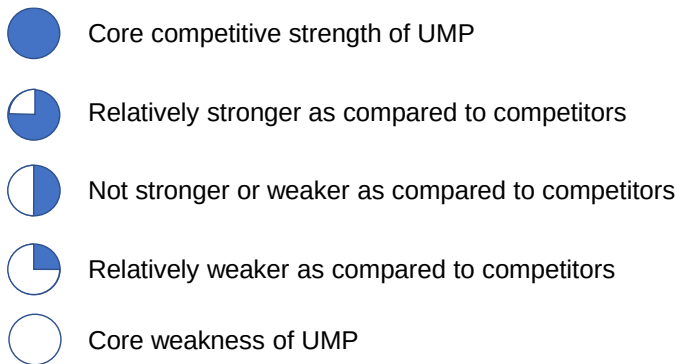


Figure 11 - Analysis of UMP under the resource-based view framework

Second, set out below is a summary of UMP's external environment analysis under the PESTEL framework:

No.	PESTEL analysis	Implications for UMP	Relative opportunities / threats as compared to competitors	Actions available for UMP
1.	Political	Ageing population and its corresponding demand on public healthcare services, especially on chronic disease management; Hong Kong's increasingly merged into the GBA as part of China's overall strategic planning for GBA		Ramp up investments in primary care delivery model, especially in chronic disease management; UMP need to be seen as the Hong Kong representative for Hong Kong healthcare organisations expanding in the GBA
2.	Economics	Increasing public-private partnerships expected in primary healthcare development; governments across Hong Kong and in the GBA will increase procurement of private healthcare services		Given the increasing healthcare services collaboration across Hong Kong and GBA, UMP needs to fasten its expansion in the GBA to build more comparative advantages to its competitors in being able to offer Hong Kong-GBA services to regional governments
3.	Social – Cultural	Aged care and aged homes are expected to be built out by governments across Hong Kong and in the GBA; aged homes will require healthcare services support and bring significant demand for trained healthcare services staff		UMP has a first mover advantage in building its GOLD training programme for Mainland Chinese doctors and nurses to deliver primary healthcare services; it should continue to expand and also develop new programmes to cater for aged homes
4.	Technological	New applications in technology allows continuous remote patient monitoring and efficient patient communications such as telemedicine; proliferation of data also allows new data therapeutic solutions to be developed for better health management; better usage of electronic medical records		UMP has been a late comer and user in technology and has lacked behind its competitors in applying technology in both services delivery and in business administrations
5.	Environmental	Not applicable	Not applicable	Not applicable as a healthcare service provider
6.	Legal	Hong Kong's role and relevance, and specifically in the healthcare services sector, for GBA development; healthcare services sector is highly regulated and subject to changes		UMP has had a comparative early start advantage in its development in GBA; however, UMP must do more and act faster to cement its role in GBA development as a Hong Kong representative

-  Significant opportunity for UMP and its competitors
-  Strong opportunity for UMP and its competitors
-  Neither opportunity or threat for UMP and its competitors
-  Strong threat for UMP and its competitors
-  Significant threat for UMP and its competitors

Figure 12 - Analysis of UMP under the PESTEL framework

Finally, set out below is a summary of UMP's external environment analysis under the Porter's Five Forces framework:

No.	Porter Five Forces analysis	Implications for UMP	Relative opportunities / threats as compared to competitors	Actions available for UMP
1.	Bargaining power of suppliers	Healthcare Service providers in Hong Kong and in Mainland China are in short supply, leading to high cost of recruitment and retention		Develop in house training programme to train new doctors; continue to focus on recruitment and retention of primary care doctors as its core strategy as primary care doctors remain comparatively underpaid and are easier to hire
2.	Bargaining power of customers / patients	Doctor shopping is the new phenomena as patients would often want to choose their own doctor for a range of personal reasons; corporates or insurance companies restricting access to doctors' choice would lead to sub-optimal customer journey experience		Continue to strengthen its primary care network and expand its recruitment of primary care doctors, so that patients can more easily access UMP's primary care doctors across both Hong Kong and the GBA; expand telemedicine service offering to expand reach to patients and consumers
3.	Potential entry of new competitors	High entry barrier in terms of capital investments required for setting up and administering a vast clinical network; significant industry knowhow and market reputation required for taking on capitated outpatient risks; recruitment of medical professionals is also challenging		Continue to expand on its GP focused service network; continue to train and recruit more GPs to join its GBA service network; expand its third-party administration services offering to take on more at-risk capitated service contracts
4.	Threat of substitutes	For the foreseeable future, primary care continues to be supported by Hong Kong and GBA government policies; prevalence of chronic diseases and ageing population also requires further significant investment in primary healthcare		UMP should continue to stay focused on its primary healthcare expansion strategy; in addition, UMP needs to broaden its capabilities in managed care operations, including working more closely with health insurance companies to design products to capture the managed care market opportunities
5.	Rivalry amongst competing firms	Strong competition in terms of specialist services; However, most competitors do not view the primary healthcare service sector as attractive, and that is a very different view to that taken by UMP. Most competitors also see the Chinese government as the driving force for delivery healthcare services and therefore do not view development of primary healthcare services favourably		UMP's competitors are not investing in primary healthcare services, and in particular, UMP's competitors have not at all invested in primary healthcare in the GBA; UMP needs to have confidence to stay course with its disruptive innovation strategy of partnering up with governments to develop public-private-partnership service model through training and insurance products partnerships

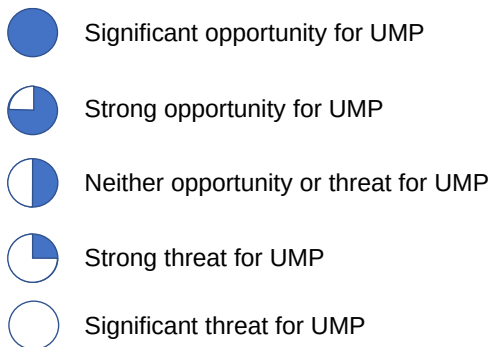


Figure 13 - Analysis of UMP under the Porter's Five Forces framework

3.8 Summary of UMP's SWOT

The following is a summary of UMP's SWOT based on the analysis conducted in this section 3.5 to 3.7:

Strengths

1. UMP is a primary healthcare focused service provider. It has a clear market positioning vis-à-vis its corporate customers, insurance companies customers and various regional governments of the GBA. Such clear thought leadership positioning means that UMP can continue to leverage off its brand in deepening its partnerships and health plans / capitated health plans product development capabilities with its customers;
2. UMP was a pioneer in expanding its primary healthcare services offering in the GBA. It has adopted a differentiated strategy by launching its GOLD training programme to secure supplies of quality primary care doctors for provision of healthcare services. Through such education effort, UMP has also established itself as a trusted partner to various regional governments in the GBA in bringing international GP standards to their community health centres through public-private-partnerships;

Weaknesses

3. Although UMP is clearly a primary healthcare focused provider, UMP's management board has not been clear in communicating such positioning to its stakeholders and employees. This has caused confusion internally on the

consistency and continuity of UMP's strategic directions, vision, missions and values, and causing misalignment amongst its stakeholders;

4. UMP had under-invested in its brand, human resources policies and in technology. These under investments has created notable challenges for UMP in its expansion plan across both Hong Kong and in Mainland China, in particular on the skillsets of its current employees as well as additional team members that must be recruited for such expansion;

Opportunities

5. Primary healthcare development in Mainland China is a core focus of the Chinese government. This means that in the foreseeable future, more favourable government policies will be launched to support primary healthcare development, including the encouragement of further public-private-partnership programmes;
6. Hong Kong, and in particular, Hong Kong healthcare organisations will have significant roles in contributing to development of the healthcare sector in the GBA. In particular, Hong Kong has a comparatively developed primary healthcare system (especially in the areas of population health management and chronic disease management) that various regional GBA governments have already expressed strong interests to seek collaborations;
7. the Mainland Chinese government has announced the encouragement of Hong Kong healthcare companies to expand their presence in the GBA, with favourable policies such as allowing 100% foreign ownership of healthcare facilities, ease of Hong Kong doctors registration in the GBA, as well as trial policies for importation

of Hong Kong drugs and medical devices to encourage Hong Kong medical professionals to work in the GBA;

Threats

8. Healthcare services in both Hong Kong and in the GBA are highly regulated. Any new services or public-private-partnership programmes could be subject to changes with little notice; and
9. Hospitals continue to be the main channel for healthcare services delivery in the GBA. While government policies encourage the development of primary healthcare services, the dominance of the hospital-based care delivery system may mean any changes to the healthcare delivery system will face significant challenges and resistance from the incumbents.

3.9 Implications for implementation of disruptive innovation theory

This chapter has provided the analytical background and justification on why UMP has decided to expand its scope of business in the GBA. Through a detailed internal and external environment analysis, UMP has formulated a clear strategy of:

- (i) Focusing on primary healthcare services as a differentiated strategy for its expansion in Hong Kong and in the GBA;
- (ii) Continuing to leverage its first mover advantage in the GBA and expand its presence in GBA through its GOLD training programme, further establishing more public-private-partnership programmes with various regional governments in the GBA; and

- (iii) Harness its past experiences of working with corporate customers and insurance companies to launch more health plans to be sold in the GBA.

The above strategies have also been summarised in various UMP's published annual reports. However, there is no disclosure on how these strategies were implemented in practice, what was the strategic planning and thought process adopted by the UMP management team in devising the strategies, and there were no assessment on how effective these strategies have been implemented.

In chapter 4, the expansion of UMP's services in the GBA will be analysed through the lenses of the disruptive innovation theory. The strategic thinking and rationale behind why the UMP China management team took the decisions they did in its expansion in the GBA will be examined. The effectiveness on the implementation of these strategies will then be examined in chapters 6 and 7, whereby the feedback obtained from semi-structured interviews conducted with UMP China's stakeholders shall be analysed under the 3H framework.

Chapter 4 – Disruptive Innovation Strategy Implementation at UMP

4.1 Introduction

In this chapter, UMP's strategic goals for expanding in the GBA shall be examined through the lenses of the disruptive innovation theory. An account shall be provided on the strategic thinking behind how the UMP management team examined its strategy under the disruptive innovation theory framework. The effectiveness on the implementation of UMP's disruptive innovation strategies will also be examined under the 3H framework.

4.2 Application of the disruptive innovation theory for the healthcare services sector

Can the disruptive innovation theory be applied to facilitate the development of primary care in Mainland China?

As stated in chapter 2, Christensen has claimed that his theory of disruptive innovation can be applied to any industries. He has written extensively on how his theory and frameworks could, for example, apply to the retail industry, the computer industry, the automotive industry and the education industry.

Christensen and his fellow researchers have published extensively on how disruptive innovation could drive changes in the healthcare industry, specifically so in the Innovator's Prescription (Christensen et al., 2010) and in their proposed framework for business model innovation for healthcare (Hwang et al., 2008), with the ambitious goal of making healthcare more affordable and accessible for all.

Christensen has continued to write extensively on how the application of disruptive innovation theories can revolutionise the US healthcare industry, including the application of the functional, emotional and social frameworks for identifying consumers' needs and the jobs to be done by different types of chronic disease patients of different backgrounds (Christensen et al., 2017). Besides Christensen, there have also been various other research on applying the disruptive innovation theory to the healthcare industry. Researchers have consciously applied the disruptive innovation frameworks to the nursing industry, effectively arguing that nurses could be “hired” for a better job to be done by patients who suffer from chronic diseases, provided they receive a new forms of training and also empowered by widely available technologies (Fuller et al., 2019).

Another example is the proliferation of wearable devices and the application of acritical intelligence in healthcare services delivery. The framing of these technologies under the jobs to be done framework would make chronic disease management to be more adaptable to patients' day to day living patterns. If the wearable devices were framed as a high technology gadget to the users, the devices would unlikely be used amidst of the vast choices available in the consumer market. Under a pilot programme in southeast England, when wearable devices are instead framed by healthcare professionals as helping with the job of saving patients' time to come to the clinics for frequent monitoring, and also saving healthcare professionals significant traveling time for home visits to patients, the adherence of using wearable devices to monitor vital signs has increased significantly, leading to a virtuous cycle of providing the critical information that healthcare service providers need to help patients recover better after hospital admissions (Miyashita et al., 2019).

4.3 The disruptive innovation framework for primary healthcare development in Mainland China

The problems with healthcare reform in Mainland China could be viewed through the lenses of disruptive innovation under the 3H framework (Christensen et al., 2010, Yu, 2020). The overarching goal for any healthcare systems, being the heart element of the 3H framework, is to make high quality care be accessible and affordable for as many citizens as possible. Healthcare systems must always make this their overarching vision as they define their strategies and services they wish to offer to the population. The strategies to achieve this, the head element, must bring along new innovative solutions that combines new innovative business models to reimagine and re-examine the payment and delivery model for healthcare services. This is an important point to note, as healthcare costs have continued to rise across the globe notwithstanding the vast array of new technologies that are supposed to help with better patient management and early disease detection. Finally, new skillsets, the hands element, must be developed for existing healthcare workers, and new resources (for example, non healthcare trained workers) must be pulled in to solve the jobs to be done for specific types of healthcare services.

It is with this overarching framework that the Chinese healthcare system will be framed as being an incumbent to be potentially disrupted by proliferation of advancements in the primary healthcare system. Such disruptor, like UMP, must critically analyse the three pillars of any healthcare systems, being the coordination of resources and process around the *patients* (consumers), the *providers* (healthcare organisations,

and more specifically, the doctors) and the *payers* (being the government or private payers like insurance companies):

4.3.1 The struggles of the patients (consumers)

The disruptive innovation framework offers different lenses for looking at healthcare systems. At the heart level, the Chinese government is determined to make high quality healthcare assessable and affordable for everyone. In a recent public media interview, Mainland China's President Xi Jin Ping stated that "good health is one, everything else are the zeroes after good health. Without good health, no number of any zeros after the one would be worth anything."³⁸ The heart element was also aptly described, within the 3H framework (Yu, 2020), as being a critical element in contributing to the comparative success of how Mainland China has coped with the coronavirus pandemic (Yu, 2021).

The Chinese government went as far as working closely with the World Bank and the World Health Organisation to carefully examine the problems of its healthcare system (Organization, 2019), with one of the major conclusions being that the development of primary care is of paramount importance to achieve accessible and affordable care for all. However, for all the reasons stated above, asking the incumbents (i.e., public hospitals) to develop primary care, which is what the Chinese government has been pushing for, is very unlikely to work. Asking hospitals to develop primary care is akin to asking a corporation that is continuously generating revenue from higher margin services to consciously deploy its existing resources into lower margin businesses (i.e., primary care),

³⁸³⁸ http://www.xinhuanet.com/politics/leaders/2021-03/24/c_1127248361.htm

which, understandably, is unlikely to gather support from its stakeholders and fund contributors.

Primary care, when viewed from a fee for service model perspective, generates much less revenue for hospitals as compared to specialist and inpatient care for patients. In financial terminology, the development of primary care is also earnings dilutive to public hospitals, as primary care does not require the performance of much surgical procedures, and generate much less revenue from sale of pharmaceuticals and prescription of diagnostic tests.

The public hospitals are supposed to be focused on diagnosing the more complicated diagnosis. The public hospitals would also say it is not their fault that patients and consumers do not trust what primary care physicians can do for them. This is typical of incumbents protecting their territories. It is in the incumbents' interests to maintain the status quo rather than developing primary care that may potentially disrupt themselves.

Under current practices, community health centres are often organized by large public hospitals, meaning that the general managers of hospitals would likely continue to see these community health centres as just an extension of their hospital model services, therefore continuing to adopt the processes of hospitals to the management of community health centres. For example, instead of focusing on improving the level of services at primary care level, public hospitals would rotate their specialists to serve the public on a roster basis in these community health centres. This has the unintended effect on patients to continue to only trust specialists from hospitals, rather than allowing general

practitioners who practice at these community health centres to develop their skills through practices and building relationships with the patients at the community level.

A further unintended consequence is that instead of focusing on building primary care services that fundamentally uses different skillsets as those practiced by specialists in hospitals, various regional governments have started bringing advanced medical equipment (such as CT machines) to the community health centres. When this is viewed from the perspectives of making better facilities available at the community health centres, such that patients do not need to go to hospitals to use these diagnostics equipment, it is indeed of great social value. But when viewed with the lenses of developing primary care, it means primary care doctors are discouraged to develop other primary care focused skillsets (such as consultation skills), and instead primary care doctors are pushed to “hand over” clinical judgments to advanced diagnostic equipment that should not have been used in the primary care settings in the first place.

A functioning primary care system could potentially dramatically reduce outpatient visits for all hospitals, leading to less revenue and resources for public hospitals. Under the disruptive innovation framework, this would fall squarely to the observation that the public hospitals’ capabilities define its dis-capabilities, as their internal resources, processes and priorities are structured around providing specialists care under a fee for service model. Further, the potential revenue from delivering primary care do not solve the revenue growth “required” for public hospitals’ administrators in Mainland China.

The struggles of the Chinese healthcare system present significant opportunities for disruptors. However, as highlighted above, many private healthcare organisations are

struggling to perform in Mainland China. A new entry strategy using primary care, as predicted by the theory of disruption under the 3H framework, could potentially chart new paths for growth.

A core “head” element of the disruptive innovation framework is to focus on the jobs to be done as a marketing strategy in guiding organisations in marketing its services to consumers. Disruptive innovations are usually led by companies that target low end disruptions or non-consumption, applying technologies as defined by Christensen³⁹ (i.e. technology is the process in which a company converts its resources (capital, labour, information) into products and services of ultimately greater economic value), with the appreciation that these technologies, once they are able to have a footing in serving specific consumers’ needs, will gradually expand in its functionalities to serve an increasingly larger population.

Christensen has used the example of the Intel 286 chips in many of his speeches and interviews⁴⁰. When the Intel 286 chips were first introduced into personal computers, and when personal computers were beginning to take footing as word processors to replace the traditional typewriters, users literally have had to pause their typing for the computer to catch up with the typing speed of writers before the words appear on the computer screen. The power of processing chips then continued to improve, and now consumers probably can only use a small percentage of processing power that processing chips now offer in their personal computers. This is like how hospitals have

³⁹ technology is the process in which a company converts its resources (capital, labour, information) into products and services of ultimately greater economic value CHRISTENSEN, C. M. 1997. *The innovator's dilemma: when new technologies cause great firms to fail*, Harvard Business Review Press, ibid.

⁴⁰ See <http://www.asymco.com/2014/06/23/clayton-christensen-on-capturing-the-upside/>

continued to advance their services and technologies, but have now reached a stage that most of the advanced technologies are barely used by most of the consumers (i.e., increasingly sophisticated imaging clarity from CT scans do not materially add new information for doctors to make better clinical judgements). Such advanced technologies may only be used by a small fraction of the most advanced users (i.e., the sickest patients), and such market “size” is bound to be much smaller.

Using such analogy of comparing primary care with the specialist care currently offered by hospitals in Mainland China, we can see that the primary care system in Mainland China, as it currently stands, is not able to serve the healthcare needs of patients as currently defined by hospitals. In fact, primary care is already starting to solve many of consumers’ healthcare needs on the following dimensions:

- a) Primary care facilities are broadly distributed. Community health centres are required by law to be set up for every 10,000 people in each region. The availability of these facilities mean that consumers do not need to wait for a long time to seek healthcare needs from queuing up at large hospitals;
- b) Primary care facilities are expanding on their suite of service offerings. Whereas in the past, consumers would only go to community health centres for basic services such as vaccinations and medication refills, primary care service providers are getting better trained to provide chronic disease management programmes that are becoming just as good as those provided by endocrinologists (for diabetes treatments) and cardiologists (for hypertension treatments) at hospitals; and

- c) The increasing recognition of duties and roles to be performed by nurses at community health centres are helping to address some of the shortfalls which hospitals cannot deliver. Chronic disease management requires on-going dialogues between healthcare providers and patients to supervise drug taking adherence and lifestyle supervisions and interventions. Hospital specialists are generally too busy and are also not trained for behavioural health management (behavioural health management requires the spending of significant time and deep understanding and building up of relationship with patients, which hospital specialists are currently not paid for doing so).

The above is a classic demonstration of disruption beginning to take foothold in primary care. Committing to invest in primary care then requires a deeper analysis on what jobs are consumers and patients hiring primary care providers and community health centres to do, *and the focus should be less on competing with hospitals, but on what dimensions primary care can do better and do differently.*

Such perspective, under the disruptive innovation theory, is very different from the typical competitor analysis that organisations perform, for example, under the Porter Five Forces analysis. The struggles and the jobs of the patients, when viewed through the disruptive innovation lenses, would likely include:

- a) Help me to stop becoming sick in the first place;
- b) I have no idea why I got sick in the first place. Will I get sick more frequently going forward? What is going on? It would be great if someone could tell me how I can prevent myself from getting sick;

- c) I have so many other priorities in my life that the cessation of smoking or controlling my diet is not my priority. I know I am obese, but I just do not have the will to lose weight right now;
- d) Deep down, I would prefer not to go to hospital if the community health centre near my home were good enough and can solve my healthcare problems. What exact problems can the family doctor serve? I do not think they are professionally qualified enough. It would be great if I could know the exact services that they can provide;
- e) Every time I go to hospital in Mainland China, I am given too many advice (which I will likely forget) and too many drugs to take home. I usually only have 2 to 3 minutes speaking with the doctor. The doctor always seems so busy and do not have time to speak with me. I always end up seeing a different doctor every time when I visit the hospital. This means I must explain everything again about my medical history, my background, and by the time I am done with my explanation, the next patient outside the door is already getting annoyed and peeking through the door, giving me pressure to quickly wrap up and leave the consultation room;
- f) I do not have the privacy I want when speaking with doctors in hospitals in Mainland China. Their doors are always open, with a queue of patients standing outside;
- g) I do not want my family to know that I am becoming sick. I do not want them to worry about me;

- h) I am so stressed at work. I think I may have some mild symptoms of depression. I have no one to speak with about my stress. I do not want my colleagues at work to think that I am weak and cannot handle pressure; and
- i) Beyond long waiting time at hospitals, healthcare services are getting more expensive. Perhaps I just skip seeking care even though I should not. I may get better on my own anyway. I do not have the money or time to go to hospitals.

When viewed from the lenses of jobs to be done for the patient, it becomes obvious that the current hospital systems in Mainland China are not structured to serve these significant consumer needs. Under the disruptive innovation framework, these would fall into the category of non-consumption, where consumers would *prefer to have any kind of solutions* that would help them to make progress in these areas. These solutions only *need to be good enough* and do not need to be perfect from the beginning. These are also the exact areas in which primary care could serve, provided that the primary care providers also see themselves as being capable of learning to do so, and willing to reimagine the processes (i.e., fundamentally, community health care service models should not try to mimic hospital service flows) in which care is delivered in community health centres. Potential disruptors can, for example, devise solutions to help patients to have continuity of care through assigning the same doctor for each patient, provide behavioural health management tools to help patients to manage chronic diseases and be a broker in finding the best payment solutions for patients and consumers.

4.3.2 The struggles of the providers

Under the disruptive innovation framework, what jobs are the providers, and more specifically, primary care doctors, trying to achieve in their lives? The following non-exhaustive list of jobs for primary care doctors practicing in Mainland China are waiting for solutions to be hired:

- a) I was not able to become a specialist in the public hospital, and I became a primary care doctor that is not respected by the healthcare industry in Mainland China in general. I want to find respect for my professional services;
- b) I do not see my career progressing as a primary care doctor practicing in community health centres. Unlike public hospitals, there are no seniors at my community centre to learn from. There is no established community of primary care knowledge, or courses, for us to keep learning;
- c) My friends in public hospitals who were lucky to become specialists make much more money than me. Primary care doctors have low salaries. I am struggling to make a living to support my family and I do not see how governments are going to fix this. I am thinking about quitting and doing something else;
- d) My patients do not show me much respect for my knowledge and skills. They usually just come in and ask for referrals to hospitals;
- e) My patients do not listen to me. They do not adhere to our recommendations, which lead to worsening clinical outcomes, and which further lead to these patients thinking that we are not qualified to look after their health and diseases; and
- f) I am just swamped with administration tasks everyday, which leaves me no time to communicate with my patients.

Viewed from such angles, it is clear that each of the above “jobs” would require different solutions to be hired. It is clear that these primary care doctors would like to *achieve progress* in their lives, and if no solutions could be hired, these doctors would likely seek alternatives that may lead them to quit their careers. This is in fact happening, with many primary care doctors showing high intention to leave (Li et al., 2017). These struggles present disruptors with potential market entry strategies, and under the disruptive innovation framework, disruptors only need to deliver “good enough” solutions to be hired, and then allow the solutions to evolve and improve. Disruptors should define solutions to help doctors realise higher income, help doctors to learn their required skillsets at the primary healthcare settings more effectively, and to help doctors to better serve their customers (i.e. patients) through providing training and other supporting services and tools such as digital solutions for managing communications with their patients.

4.3.3 The struggles of the payers

What jobs are the payers, being the government and insurance companies in Mainland China who are paying for the medical expenses of patients, trying to achieve?

- a) As an insurance agent, I need to sell more insurance policies to complete my sales target, but the products my insurance company is selling is practically the same as every other company;
- b) As an insurance company, we are suffering from year-on-year increase in the costs of medical claims. We think the providers and the patients are colluding to get

payments from our company, yet we do not have any tools to proof them wrong.

We have zero control over healthcare providers;

- c) We do not know how to persuade our customers to renew their policies with us. If our customers were healthy, and that is actually what we prefer as it would mean less claims for us, it would mean our customers have no reasons to contact us at all. How can we build better engagement with our health insurance policies holders, so that as an industry, we do not need to compete with each other on pricing of policies?; and
- d) “The medical claims procedures are so complicated. How can we make it simpler for ourselves and for our customers?”.

Viewed from above angles, it is clear that the payers in Mainland China have the weakest bargaining power versus both providers and consumers of healthcare services. This means that in Mainland China, most health insurance policies sold are simple critical illness policies (i.e., lump sum payment for specific diseases), and less on providing indemnity claims on healthcare services rendered. Most importantly, consumers generally do not see any product differentiation among health insurance companies in Mainland China. Potential disruptors could offer to help insurance companies to design products with more healthcare services and offer greater transparency on the costs of medical services. More importantly, disruptors could work with insurance companies to engage with their policy holders better to manage their health, which would ultimately help with cost control for insurance companies in the longer run.

4.3.4 The disruptors' approach to primary care development in Mainland China

The struggles of the patients, providers and payers have highlighted the different desires of the critical components of Mainland China's healthcare system. These struggles have always been there, yet when examined in detail, it is clear that there may be companies designing specific solutions for some of the struggles, but there is no holistic solution to ensure a win-win-win relationship among patients, providers and payers.

What strategies could be implemented? Under the head element of the disruptive innovation framework, a potential disruptor would need to integrate (i.e., the strategy of interdependence) and pull in resources to design a complete solution to address each of these needs. So far, the private healthcare organisations in Mainland China are only addressing selected elements of these struggles (for example, private organisation generally pay higher salaries, but that indirectly becomes high costs for insurers through more expensive medical claims), and hence are unable to serve the ultimate goal of disruption (the heart element), being that of providing effective, affordable and accessible products or services to the stakeholders involved.

Even with the right strategies in place for the would-be disruptor, the disruptor must also consider the hand element. Mainland China's primary care sector is new, with a lack of talents who would appreciate the interdependencies among patients, providers and payers. Disruptors need to build new competencies that may not already be available in the market, and such would require a human resources policy that look to develop new skills for employees, hiring new team members who have experience in solving similar problems.

4.4 UMP's Mainland China expansion strategy

The head element under the 3H framework focuses on how an organisation could and should consciously consider and apply modern management theories in devising its strategies. It is against the above disruptive innovation framework analysis in section 4.3 that UMP had formulated its strategies for expansion into the Mainland China market. The core strategies adopted by UMP China are summarized and extracted from UMP's published reports, and include:

1. Expanding GOLD and the public-private-partnership clinic network significantly -

UMP should seize its early mover advantage and significant expand the reach and scale of its GOLD training programme, with an initial focus on the GBA. One of the unique selling points for the GOLD programme is that it was founded by Hong Kong doctors. The GOLD programme trains government GPs who practice in community health centres. As part of the GOLD programme feature, UMP also invests in these community health centres and clinics by revamping physical environment to be of international standards. These international clinics would then house GOLD trained GPs who can serve UMP's members too. By focusing on the GBA first, it will be easier for UMP to mobilise more Hong Kong doctors to participate in the training programme. The GBA itself is a significant market that is expected to have more than 100 million citizens by 2030. The GBA has more than 15,000 GPs, practicing across more than 2,200 government clinics (see Figure 13 below). As of June 30, 2021, UMP is training more than 1,300 GPs and have set up approximately 150 public-private-partnership clinics ("PPP Clinics") with various

governments in the GBA. UMP should seize this early mover advantage and significantly increase its scale in both the number of GPs to be trained and number of PPP Clinics;

2. *Design new type of capitated health plans with insurance companies* – With a vast number of GOLD trained GPs and a growing PPP clinic network, UMP can help insurance companies to design health plans based on the primary care model, similar to what it has been doing in Hong Kong since 1990. Currently, most outpatient focused health insurance plans in Mainland China are either priced in the premium category that delivers good services at high end private clinics or hospitals (this type of insurance plans typically cost up to RMB8,000 per year), or in the low-price category that uses public clinics and hospitals and lack quality services (this type of insurance plans cost around RMB300-500 per year). UMP should seize such early mover advantage by proactively defining and designing a new generation of health plans. These health plans will leverage on the quality GOLD trained GPs and the revamped clinics, to be priced between RMB1,000 to 2,000 per year, for the premium middle class (i.e., annual disposal income of approximately RMB200,000 to RMB300,000 per year). For product differentiation, the health plans can also provide coverage for the whole GBA area, including cross border healthcare services in Hong Kong;
3. *Leverage off insurance companies to market UMP's services* – in Hong Kong, UMP has been successful in designing health plans together with various insurance companies. To market UMP services in GBA, UMP will need to invest significantly to build up its sales team. Such effort will be difficult as the concept of

GP is still relatively early for the market in GBA. Insurance companies, however, are pushing forward to work with GPs in order to have better cost control. UMP can leverage off insurance companies' large agency force and sales team to bundle its health plans into insurance policies for sale, perhaps go as far as white labelling its virtual care services to insurance companies. Working with insurance companies at the initial stages of the product launch would allow UMP to minimise its sales personnel cost, yet at the same time, allow UMP to gather more on the ground experience of insurance products bundling;

4. *Re-define outpatient service standards for GBA*– As the GOLD programme already sets out the minimum skills required for GPs to diagnose multiple illnesses; UMP can leverage on GOLD to identify suppliers (i.e. doctors). UMP can differentiate itself from other competitors in the market by actively marketing to Corporate Customers that the GOLD programme is, in the absence of any other alternatives in GBA, the most appropriate standards to access quality outpatient care. Such market positioning will help UMP to win over potential mandates from other competitors operating in the GBA market; and
5. *Embrace virtual care as UMP's new Online-Merge-Offline ("OMO") initiatives* – UMP's virtual care platform, which leverages on the GOLD programme to recruit doctors who can deliver outpatient services online, is a very good entry point to a patient's journey. Patients can first seek consultation online through UMP's virtual care platform, and for more serious matters that require in person consultation, the patient can then attend to one of UMP's clinics located across the GBA. The virtual care platform also provides access to electronic medical records and pharmacy

deliver to the home / office. Such unique OMO offering will greatly differentiate UMP from its competitors, with patients experiencing the convenience of the online ecosystem and the reassurance of the offline PPP clinic network.

4.4 Chronology of key events for UMP China

UMP China was established in 2015 and went through two phrases of business development. The first phrase can be classified as a centrally managed expansion strategy, where the Parent Company was in charge of various group functions including corporate strategy, finance and human resources, and Mainland Chinese general managers were hired to execute on the directions prescribed by the Parent Company. The first phrase saw UMP China started expanding its clinical operations in 2015 (including both investing and establishing new clinics) across Beijing, Shanghai, Guangzhou and Shenzhen. Operations and business performance were challenging, and which ultimately led to a full change of management team and the shutting down of all newly established clinics by the early 2020.

The second phrase started in early 2018, when the Parent Company started to build a new management team to be based in Shenzhen and away from Hong Kong (Hong Kong is where the Parent Company is headquartered). The newly established management team in Shenzhen was at will to set its own business directions, strategies and was in charge of its own finance and human resources functions, with the management team in Shenzhen only periodically reporting to Hong Kong headquarters on its business performance but without any influence from the Parent Company.

Effectively, the Parent Company has taken on the role of a strategic financial investor, providing the capital that is necessary for UMP China to grow and for seeking advices when needed.

The second phrase saw the rapid expansion of UMP China's business scale across the GBA, including various newly established businesses such as the doctors and nurses training businesses, its health plan management businesses and its internet healthcare delivery model businesses. It must be noted that UMP China is still at its investment phase and hence it is still reporting a net loss, but the scale and the potential of the operations that UMP China has established since 2018 provides UMP China with the right infrastructures for its business expansion in the GBA.

Based on its FY2021 annual report, UMP China had grown its public-private-partnership clinic network from 1 clinic in 2018 to 158 clinics in 2021. The number of doctors working with UMP China has also grown from 11 doctors in 2018 to more than 1,000 in 2021. During such period of expansion, UMP China has also obtained its internet hospital licence, established its headquarters in Shenzhen and operate with a staff of over 50 people. The new business has also expanded from a revenue of RMB200,000 in 2018 to a projected full year run rate revenue of RMB5 million for FY2021, representing a 20 times increase in revenue. Given the expansion, UMP China has also generated increasing losses from operations. UMP China generated an operating loss of HK\$38.2 million for the financial year ended June 30, 2021.

Set out below is a chronology of events relating to the development of UMP China's business since UMP completed its IPO in November 2015:

No	Date of key events	Key events relating to UMP China	Operational highlights	Financials of UMP China as reported by UMP ⁴¹
1	26/11/2015 ^{42,43}	UMP completed its IPO on the Hong Kong Stock Exchange, raising net proceeds of HK\$333 million, of which HK\$200 million was reserved for expansion in Mainland China	Acquisition of two healthcare checkup businesses into the Mainland China business; 50:50 joint venture established with a Beijing hospital group to set up outpatient clinics in Beijing	For the 12 months ended June 30, 2015: Revenue: HK\$29.2 million Operating profit: HK\$6.5 million
2	23/02/2016	Interim results announcement; new business not yet contributing any revenue but UMP starting to incur operating cost for new business	Applying for licences for new clinics in Beijing and Shanghai	For the 6 months ended December 31, 2015 Revenue: HK\$16.9 million Operating loss: HK\$(1.7) million
3a, 3b	26/09/2016 ⁴⁴ 27/09/2016 ⁴⁵	Annual results announcement; bringing in new strategic investor into the 50:50 joint venture in Beijing for funding of expansion; increasing operating loss due to Mainland China expansion	Opening up of one new clinic in Shanghai and one new clinic in Beijing	For the 12 months ended June 30, 2016: Revenue: HK\$33.0 million Operating loss: HK\$(10.6) million
4	15/12/2016 ⁴⁶	Disposal of all newly established clinics to private equity fund, with UMP providing management services. The disposal of clinics allows UMP to adopt an asset light approach for expansion, and leveraging capital provided by private equity to invest in clinics to be managed by UMP	Opening up of two new additional clinics in Beijing	-

⁴¹ UMP publicly reports its interim and full year financials on December 31 and June 30 each year, respectively. Financial performance for the periods indicated aggregates both the check-up business acquired at IPO and the newly established corporate healthcare business and clinic management business. Financial results presented here represent the sum of revenue and operating profit and loss before tax from these two segments.

⁴² https://www1.hkexnews.hk/listedco/listconews/sehk/2015/1126/00722_2457901/e102.pdf

⁴³ <https://www1.hkexnews.hk/listedco/listconews/sehk/2015/1117/lt20151117013.pdf>

⁴⁴ <https://www1.hkexnews.hk/listedco/listconews/sehk/2016/0926/lt20160926829.pdf>

⁴⁵ <https://www1.hkexnews.hk/listedco/listconews/sehk/2016/0927/lt20160927087.pdf>

⁴⁶ <https://www1.hkexnews.hk/listedco/listconews/sehk/2016/1215/lt20161215871.pdf>

No	Date of key events	Key events relating to UMP China	Operational highlights	Financials of UMP China as reported by UMP ⁴¹
5	23/02/2017 ⁴⁷	Interim results announcement explaining how the ramping up of the Mainland China business will continue to lead to investment losses in the medium term ⁴⁸	Set up new UMP China management office in Beijing to manage the newly established clinics	For the 6 months ended December 31, 2016 ¹⁴ Revenue: HK\$18.8 million Operating loss: HK\$(15.0) million
6	26/09/2017 ⁴⁹	Annual results announcement	Managing 3 clinics in Beijing and one clinic in Shanghai; establishing new clinic in Guangzhou; first announcement of intention to launch pilot GOLD training programme for doctors	For the 12 months ended June 30, 2017 Revenue: HK\$1.8 million Operating loss: HK\$(33.5) million
7	27/02/2018 ⁵⁰	Interim results announcement; the first mentioning of the Greater Bay Area by UMP and its strategic plan to explore expanding its business in GBA; commencement of new training business for government doctors in Pan Yu, Guangzhou City	Commencement of new training business; recruited the first 11 students into the GOLD training programme	For the 6 months ended December 31, 2017 Revenue: HK\$23.2 million Operating loss: HK\$(5) million
8	27/09/2018 ⁵¹	Annual results announcement; provided strategic reasons on re-focusing to GBA and intention to keep expanding its GOLD training programme and the PPP clinic network	Established its inaugural public-private-partnership clinic in Pan Yu, Guangzhou	For the 12 months ended June 30, 2018 Revenue: HK\$56.5 million Operating loss: HK\$(6.2) million

⁴⁷ <https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0223/lt20170223348.pdf>

⁴⁸ Extracts from the announcement: "While UMP's existing business has performed well, our expansion into the PRC market has led to a decrease in our reported net profit as we incur capital and expenses relating to the establishment of medical centres and our corporate head offices for business development in both Beijing and Shanghai. UMP's core strength continues to be in the provision of corporate healthcare solutions. The lack of a medical centre network in China, however, means that UMP has been at the forefront investing in the setting up of medical centres in both Beijing and Shanghai. Based on our experience in Hong Kong and similar experiences elsewhere, while we are confident that such medical centres will perform well in the long run when both patients and doctors become increasingly accustomed to the location and level of services at such medical centres, the incubation period for these medical centres will no doubt lead too short to medium term operating losses."

⁴⁹ <https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0926/lt201709261169.pdf>

⁵⁰ <https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0227/lt20180227532.pdf>

⁵¹ <https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0927/lt201809271205.pdf>

No	Date of key events	Key events relating to UMP China	Operational highlights	Financials of UMP China as reported by UMP ⁴¹
9	27/02/2019 ⁵²	Interim results announcement; publicly re-instated UMP's vision and mission is to deliver trusted and affordable care to everyone; the announcement also provided a detailed overview on the current struggles of the Chinese healthcare system. First mentioning of the "why" (i.e. the heart element) of why it is important to provide training ⁵³	Obtained international accreditation of the GOLD training programme from the Royal College of General Practitioners, United Kingdom	For the 6 months ended December 31, 2018 Revenue: HK\$24.4 million Operating loss: HK\$(0.6) million
10	26/09/2019 ⁵⁴	Annual results announcement; re-iterates its strategy to expand into the GBA through training and public private partnerships (over 6 pages long) and with detailed investor presentations on its expansion strategy; recruited new insurance professionals to join management team; ramp up investment in technology for training; commenced on online virtual care consultation platform	Number of GOLD students: 200 Number of public-private-partnership clinics: 25	For the 12 months ended June 30, 2019 Revenue: HK\$53.9 million Operating loss: HK\$(3.7) million
11	26/02/2020 ⁵⁵	Interim results announcement; start of COVID-19, donation of virtual consultation platform to various regional governments to build relationships; ramping up of online consultation platform; setting up of UMP China's headquarter in Shenzhen	Number of GOLD students: 200 Number of public-private-partnership clinics: 30 Number of online consultations completed: Over 1,000	For the 6 months ended December 31, 2019 Revenue: HK\$27.7 million Operating loss: HK\$(2.6) million

⁵² <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0227/lt20190227417.pdf>

⁵³ Page 25 of the announcement "We have a strong conviction that we are at the start of a meaningful movement, one in which UMP China, by empowering the doctors with the necessary skills, knowledge, and by explaining to them our purpose behind the GOLD programme is to *honour our vision and purpose that everyone should have access to trusted and affordable healthcare*, we will be developing into an organisation that will act as the bridge to connect patients with their trusted family doctor, and to empower the doctors we train to become trusted family doctors to their patients."

⁵⁴ <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0926/lt20190926467.pdf>

⁵⁵ <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0226/2020022600575.pdf>

No	Date of key events	Key events relating to UMP China	Operational highlights	Financials of UMP China as reported by UMP ⁴¹
			Number of online members: Over 900	
12	24/09/2020 ⁵⁶	Annual results announcement; negative impact from COVID-19 leading to substantial decrease in revenue from check up businesses and corresponding increase in operating losses; extensive disclosures on the need to embrace technology in UMP's future expansion strategy; announcing UMP's strategy goals for 2025 to deliver 30 million online and offline patient visits; obtained internet hospital licence in Hainan; launch of training headquarters in Shenzhen	Number of GOLD students: 1,000 Number of public-private-partnership clinics: 60 Number of online consultations completed: Over 3,400 Number of online members: Over 13,600	For the 12 months ended June 30, 2020 Revenue: HK\$38.3 million Operating loss: HK\$(33.5) million
13	25/02/2021 ⁵⁷	Interim results announcement; continues to focus on expansion in GBA, responses to COVID-19 situation and challenging operating conditions in both Hong Kong and in Mainland China	Number of GOLD students: 1,000 Number of public-private-partnership clinics: 85 Number of online consultations completed: Over 7,500 Number of online members: Over 29,000	For the 6 months ended December 31, 2020 Revenue: HK\$20.4 million Operating loss: not disclosed
14	23/9/2021 ⁵⁸	Full year results announcement; obtained HK\$6 million funding from HK government for research on how artificial intelligence can promote quality control for consultations; continuous investment in technology; partnership with Chinese	Number of GOLD students: 1,200 Number of public-private-partnership clinics: 150 Number of online consultations	For the 12 months ended June 30, 2021 Revenue: HK\$43.3 million Operating loss: HK\$(48.6) million

⁵⁶ <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0924/2020092401447.pdf>

⁵⁷ <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0225/2021022500679.pdf>

⁵⁸ <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0923/2021092301372.pdf>

No	Date of key events	Key events relating to UMP China	Operational highlights	Financials of UMP China as reported by UMP ⁴¹
		University of Hong Kong to develop further training initiatives for the Greater Bay Area	completed: Over 14,400 Number of online members: Over 46,000	

Figure 14 - Chronology of key events for UMP China

For easy illustration, a summary of the financial and operational performance of UMP China is set out below:

Financials (HK\$m)	at IPO	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Date of reporting	26/11/2015	26/9/2016	26/9/2017	27/9/2018	26/9/2019	24/9/2020	23/9/2021
UMP China Revenue	29.3	33.0	44.6	56.5	53.9	38.3	43.3
UMP China operating profit / (loss)	6.5	-10.6	-18.2	-6.2	-3.7	-33.5	-48.6

Operational performance	at IPO	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Date of reporting	26/11/2015	26/9/2016	26/9/2017	27/9/2018	26/9/2019	24/9/2020	23/9/2021
Number of check up clinics	2	3	3	3	3	3	3
Number of non check up clinics owned / managed / affiliated	-	2	4	11	11	2	1
Number of GOLD students	-	-	-	11	200	1,000	1,200
Number of Public Private Partnership clinics	-	-	-	1	25	60	150
Cumulative no. of online consultations completed	-	-	-	-	-	3,440	14,412
Number of online consultation members	-	-	-	-	-	13,607	46,193

Notes:

FY represents financial and operating results for the 12 months ended June 30 of each year

All operational performance data are measured as at June 30 of each year

RMBHKD exchange rate: 1.20

Operating profit/loss = operating profit/(loss) before tax

Revenue from non-check up business primarily represents income from training and health plans formulated together with insurance companies and corporates

Figure 15 - Summary of UMP China financial and operating performance since UMP's IPO in November 2015

4.5 Selling UMP China to private equity fund

On December 22, 2021, UMP made an announcement to dispose of its controlling stake of 55% in UMP China to Chow Tai Fook Enterprises Limited, a strategic shareholder of UMP (“CTFE”). UMP effectively becomes a strategic investor in UMP China only and will only be involved in UMP China’s business in its capacity as a shareholder. UMP will no longer consolidate the financial and operating results of UMP China going forward.

The announcement made by UMP stated the following reasons for the disposal:

1. The emerging GBA business is in an investment phase, at an initial stage of building business momentum and hence it will still require longer period of time to generate revenue and operating profit;
2. Investment in the emerging GBA business is expected to continue to generate losses for UMP; the emerging GBA business will continue to require significant capital to grow;
3. The bringing in of CTFE as a strategic private equity investor into the emerging GBA business will provide the long-term capital and significant Mainland China experience in helping the emerging GBA business to expand;
4. The deconsolidation of the emerging GBA business, while UMP continues to maintain a significant strategic stake, will mean that UMP’s business scope will become more focused on the business of corporate health solutions and clinical services for Hong Kong & Macau, which have continued to operate well, generating strong cashflows and also with a strong capital base for growth through organic expansion and M&A acquisitions; and

5. The emerging GBA business will continue to expand the GOLD training programme, the PPP network and the research and development of its digital primary care business, as well as the sales and marketing of online merge offline health management plans, chronic disease management and the development of cross border healthcare services between GBA and Hong Kong through the support of CTFE and other partnerships that UMP China will independently develop.

4.6 Under the disruptive innovation framework, why did UMP sell UMP China?

As stated earlier on in this chapter, UMP China's current expansion strategy of positioning Mainland China's hospital-based healthcare system *as an incumbent that could be disrupted*, through a primary healthcare approach, provides potential paths for growth for UMP. Under the disruptive innovation framework, where Christensen stated that *companies should invest in disruptive innovation initiatives when the company is doing well instead of when it is struggling for growth* (Christensen et al., 2013), UMP should, especially when it has the resources to do so (UMP is debt free status, generates strong cashflow in Hong Kong and has a cash balance of HK\$294 million as of June 30, 2021), to continue to invest in its Mainland China expansion. As can be seen also from Figure 15, UMP China has achieved significant growth in terms of number of doctors, locations, online consultations and online members, notwithstanding that such expansion has led to operating losses. However, UMP nevertheless made the decision to withdraw from its Mainland China expansion plan by selling its controlling stake in UMP China to a private equity fund.

It is worth setting out again Christensen's observation on why companies struggle to react to disruptive innovations. Christensen explained his theoretical framework under the five principles of disruptive technology, copied again from Chapter 2, per below (Christensen, 1997):

1. Companies depend on customers and investors for resources to thrive and survive, therefore a firm's ability to implement strategic changes in an organisation to address potential disruptions is constrained by the interest of its existing customers and investors (Pfeffer et al., 2003);
2. Small markets don't solve the growth needs of large companies;
3. Markets that don't exist yet cannot be analysed;
4. An organisation's capabilities define its disabilities – a company's competence could mean that it is difficult for it to build new competencies in the face of disruptive innovation. While Christensen has been advocating the importance of senior leadership in being cognizant of the opportunities and threats of disruption innovation, Christensen acknowledges it is important to examine beyond senior management cognitive responses to disruptive innovation and acknowledge how a firm's competence, competency traps and organisational culture provides explanations on how firms might or might not respond to disruptive innovations (Henderson, 2006b); and
5. Technology supply may not equal market demand.

UMP's decision to dispose of its Mainland China business reflect the observations stated in Christensen's analysis. As stated in the announcement, the core concerns from

UMP's management team is the losses that would be generated from growing such new businesses in Mainland China. Viewed from the lenses of UMP's management team, (i), UMP China continues to generate losses which shareholders may not like, and it is important that UMP continues to operate in accordance with its shareholders' wishes (i.e. item 1 above), (ii) the Mainland China business only generates, as compared to UMP group overall, a relatively small revenue (i.e. item 2 above), (iii) UMP China's decision to expand into a combined doctors' training and online-merge-offline health plan businesses is a new type of business model that has not been done by other companies before, (item 3 above) and hence it has no comparable markets and competitors for UMP to compare with, (iv) UMP has never been involved in a digital healthcare business before, and hence it sees UMP China's expansion in digital healthcare as a risky venture since UMP does not have the competence to do so (i.e. item 4 above), and (v) UMP is not confident that the technology to achieve a fully digitalized patient journey that provide an integrated online and offline services exists today, and hence it is risky to continue to invest in digital health (i.e. item 5 above, where UMP's disabilities and its lack of understanding on the evolution of technology meant that it does not see the opportunity of digital healthcare).

The decision for UMP to withdraw its further investments in the Mainland China market means that UMP will re-focus its investments in Hong Kong and Macau only, and under the disruptive innovation framework, UMP's decision to continue to only invest in Hong Kong would fall into the category of investing in sustaining, whereby resources are being deployed to continue to serve existing customers better, and which may potentially allow other disruptors to take UMP's market share through addressing low end consumptions and non-consumptions.

4.7 Under the disruptive innovation framework, how does UMP China sees the disposal?

UMP China's expansion strategy was announced in various annual reports and investor presentations published since 2015. Set out below is a summary of what UMP China has achieved since 2018 as stated in its annual reports:

- UMP China stated its intention to re-focus on the Greater Bay Area in 2018, starting with the new business of providing training to GPs in Panyu, Guangzhou Province; The training business received significant interests from various regional governments in GBA. The UMP China management team then decided to invest to set up a team in Shenzhen to seize these opportunities;
- UMP China management team made a commitment to the market in 2019 that it will invest to train at least 1,000 GPs by 2021 and establish at least 100 public-private-partnership clinics in the GBA by 2021; and
- UMP China also made the commitment to invest in technology to establish online digital healthcare presence.

Figure 14 above has set out what have been achieved by UMP China's management team since the above commitment were made in the various annual reports:

- In 2020, UMP China successfully obtained an internal hospital licence that would allow UMP China to deliver online consultations and medication prescription;
- In 2021, UMP China has completed training for over 1,300 GP doctors and nurses and has enrolled 158 public-private-partnership clinics as service locations;

- From an initial team of 5 people in 2018, UMP China now has a full operational team of over 50 people based in Shenzhen across clinical services, technology deployment, business development and internal administration functions;
- UMP China generated a revenue of RMB200,000 in 2018. UMP China generated revenue of RMB5 million in 2021, representing a 20x increase in revenue since 2018;
- From no corporate customers in 2018, UMP China now has over 20 corporate and insurance customers procuring its services in 2021; and
- UMP China did not have any online members and did not provide any online consultations in 2019. After the establishment of the internet hospital, UMP China now has over 70,000 online members and delivers in excess of 100 consultations online every day, and has cumulatively delivered more than 20,000 online consultations since the internet hospital was established in 2020.

Viewed from the lenses of UMP China's management team the core objective of building out the infrastructure required (i.e., a large number of doctors and clinic service locations) for the rolling out of online and offline health plan businesses has been achieved. From the review of various internal memorandums and meeting minutes since 2018, the UMP China management team had repeatedly stated that UMP China can only start generating revenue once it has sufficient number of doctors and clinic locations. Therefore, investments must be made in order to establish the infrastructure required for generating revenue. During such investment period, losses are expected to be generated.

This contrasts differently from the views of the UMP management team, where UMP management team sees the above achievements by UMP China as not sufficient

to keep justifying continuing investments. UMP is also getting increasingly worried about the losses being generated by UMP China.

Here, it is worth setting out again Christensen's suggested responses for companies to deal with disruptive innovations. Corporations who are faced with disruptive innovations threats and opportunities (i.e., expansion into Mainland China's primary healthcare market, as analysed in Chapter 2) should consider:

1. Giving responsibility for disruptive technologies to organisations whose customers need them so that resources flow to them. Allow the independent organisation with new leadership to establish its own resources, processes and values/priorities to create a new value network (in response to the phenomena that existing company's capabilities define its incapacibilities (Christensen et al., 2000). Such new value network will include supplier, customer and distributor channels that are different from the incumbents';
2. Setting up a separate organisation small enough and away from the sight of the original management team such that the new organisation get excited by small gains (Westerman et al., 2006, Gilbert, 2006). The new separate organisation will have new measures of performance, with new managers who will be less afraid of deploying emerging strategies, subject to less bureaucracies and assessed based on a new set of parameters under a new organisation structure and culture (Lucas Jr et al., 2009);
3. Plan for discovery of emerging strategies, be prepared to allow managers to learn and fail, and do not deploy all of the firm's resources on being right the first time

and plan for learning. It is important to acknowledge that disruption is a process and not a single event; and

4. Re-examine the application of existing technologies, as very often disruption happens from applying existing technologies in a different way to serve the low end or non-consumer market demand. Disruption therefore can also be analysed as a marketing challenge for products and services a company offers rather than by technology. (Christensen et al., 2013)

In many aspects, UMP China management team has taken Christensen's suggestions in implementing its expansion strategies and in setting up the appropriate corporate governance framework. First, UMP China has set up a new business development team to target new customers that require different product offerings (i.e., governments and Mainland China insurance companies, per item 1 above). Second, UMP China's management team is located in Shenzhen, and away from UMP management team (i.e., item 2 above), where the local management team feels excited about new contracts being signed even though the absolute value of the contracts is much smaller than the contracts typically signed by UMP. Third, UMP China is also on the path of discovering emerging strategy where it is constantly exploring different ways of monetizing its vast network of doctors and clinics (i.e., item 3 above). Finally, UMP is currently re-applying technologies already available in Mainland China for its expansion in its online healthcare services.

It is worth repeating from chapter 2 that there have been suggestions of other possible paths to allow existing corporates to pursue disruptive innovation opportunities. O-Reilly and Tushman introduced the strategy of organisational ambidexterity, whereby senior executive are fully cognizant of the disruptive innovation theory, but nevertheless

consciously manage an organisations with dual structures, sub cultures, dual processes and encouraging executives to become extremely flexible in supervising and executing both sustaining and disruption innovations in parallel (O'Reilly III et al., 2016). However, as per UMP management team's decision to dispose of its Mainland China business, in practice, it has been extremely difficult, in the case of UMP China, to maintain such dual structures, cultures and processes.

4.8 Summary

From a detailed analysis of UMP's IPO prospectus, annual reports and investor presentations, and supported by the resource based-view, PESTEL, Porter Five Forces reviews conducted in chapter 3, UMP's expansion strategy in GBA had been analysed in detail under established strategic management principles and under the disruptive innovation theory framework. Further, the disruptive innovation theories had provided a framework in explaining why the UMP's expansion strategies had been viewed differently from the lenses of UMP Group and UMP China, and which had led to the disposal of UMP China by UMP.

This chapter has focused on the head element under the 3H framework to ascertain that UMP Group had appropriately planned its strategies for its expansion into the GBA. It is then worth examining whether the expansion strategies had been efficiently and effectively implemented at UMP China. As proposed by Yu, the efficient and effective implementation of strategies requires sufficient and synergistic integration of each of the heart, head and hand elements. To examine the sufficiency and integration of these 3H elements, in chapter 6, semi-structured interviews will be conducted with UMP's

managers to seek their opinions on whether UMP China's strategies had been efficiently and effectively implemented.

Chapter 5: Research methodology and design

5.1 Overview of methodology

This case study aims to use UMP as the site for analysing the application of the disruptive innovation theory under the 3H framework. This chapter sets out the rationale for using the case study method, the research paradigm used for this study and the research procedures involved. The chapter includes (a) summary of the procedures used, (b) the research questions being asked of the subjects, (c) how data was gathered, (d) the methods used for analysing the data, (e) protocols for avoiding research bias and (f) confirmation that all research ethics and consents procedures were strictly followed.

5.2 Research question

How could managers holistically implement disruptive innovation strategy to drive growth in the primary healthcare industry in Mainland China?_How could the disruptive innovation theory be applied within the 3H framework to help UMP China to achieve its stated goals? To answer this central question, the following will be examined:

1. The heart element: how could organisations motivate its working team to believe in disruptive growth?
2. The head element: How could organisations build their differentiated competence in primary care in Mainland China under the disruptive innovation theory framework?

3. The head element: How could organisations build their differentiated competence in primary care in Mainland China under the disruptive innovation theory framework?
4. The hand element: How could organisations consciously develop the competences required in team members for implementing disruptive innovation strategies?
5. The heart, head and hand integrated together: how could the 3H elements be integrated to support the implementation of disruptive innovation strategies?

5.3 Research paradigm and methodology

As stated in chapter 2, one of the most frequent criticisms of the disruptive innovation theory is that it is mostly applied on an ex-post basis based on selected case studies only (Danneels, 2004, Lepore, 2014), citing that the theory has little practical value of predicting disruptions or how incumbents can practically use the theory for corporate planning. The disruptive innovation theory seeks to first explain why incumbents often fail in identifying and dealing with low end disruptions and non-consumption disruptions⁵⁹, and from such observations, the theory offers suggested strategies for both disruptors and incumbents to implement.

The interpretation of the theory by different organisations and by different level of executives within each organisation requires a holistic understanding of the theory, which, in practice, is a challenging task (see chapter 2.3.1). What has been missing is the

⁵⁹ See page 53 in chapter 2 for classification of low end and non-consumption disruptions

grouping of the analysis for the implementation of the disruptive innovation theory under a holistic management framework, and more specifically, as proposed in this thesis, under the 3H framework that could systematically help managers to implement both theories and strategies (Yu, 2020).

There are generally three types of research methods involved in business administration studies, the quantitative approach, the qualitative approach, and the mixed method approach (Creswell et al., 2017).

The quantitative approach

The quantitative approach takes on the positivism paradigm, where the researcher asserts that there is an objective reality of truth for the research topic being examined, and it becomes the researcher's duty to identify / hypothesize the cause-and-effect relationships that could be measured and proved using mathematical models and statistical analysis. The goal of quantitative research is to formulate a set of hypotheses and, through the gathering of research data, either prove / disprove that causal relationships exist to support the factors being examined for the research (Lune et al., 2017).

It must however be noted that just because factors are statistically shown to be correlated, further qualitative analysis and common sense are needed to cross examine whether one set of variables indeed cause a set of results in the real-world context. In Sociology, Giddens and Sutton gave a good example of how since the Second World War, there were data showing that a decline in pipe smoking was strongly correlated with a decline in visits to cinema, and researchers need to be wary with any cause and effect

conclusions from such data (Giddens et al., 2021). In the context of this research, where there are numerous factors and pre-requisites that may lead to the success or failure of companies being able to achieve disruptive innovations, it would be challenging to make assertive statements of what factors could lead to successful implementation of the theory.

The mixed method approaches

The mixed method approach tries to generalise the findings of a research to be applicable to companies operating in a similar context, whilst also providing detailed explanations of some of the factors that were quantitatively analysed. The researcher would first explore what variables to research on, and then specifically study such variables by conducting more in depth qualitative interview with the survey subjects (Creswell et al., 2017).

In the context of this research, the mixed method research approach may not be appropriate given (i) the very specific context in which UMP operates in, (ii) the small size of the population involved at UMP China (i.e. UMP China only had a total of less than 50 employees) and (iii) the inherent qualitative aspects of the variables involved disruptive innovation theory, which would make the survey approach to be subject to broad interpretations. A survey approach would provide broadly based information for subsequent quantitative analysis, but the self reporting nature of surveys may not accurately reflect the reality of interactions among leaders, managers and the industry specific nature for this research.

Further, the nature of the research question requires a more discovery driven research approach to examine the applicability of the disruptive innovation theory in the context of

primary healthcare in Mainland China, and it would be difficult to draw pre-determined hypothesis on factors leading to successful implementation of disruptive innovation.

The qualitative approach

The qualitative research approach takes on a different paradigm that asserts there is no single reality of truth and that reality is subject to each individual's interpretation. Qualitative research aims to gather, from a range of resources, rich in-depth data about the research topic and the subjects involved, with the goal of identifying and grouping possible explanations / generating hypotheses that could provide qualitative explanations for the phenomena being examined (Creswell et al., 2017, Lune et al., 2017). A qualitative research approach therefore aims to identify possible cause and effect relationships but without attempting to objectively justify, measure or verify such cause and effect relationships.

There are well established types of qualitative researches. Creswell summarised qualitative research approaches into the five categories of narrative research, phenomenology, grounded theory, ethnography and case study (Creswell et al., 2016). Each approach aims to specifying survey a research purpose. The narrative approach tries to explore the life of an individual, a phenomenology approach tries to understand the essence of a lived phenomenon (i.e. a practice or a way of conducting business that is well established), a grounded theory approach aims to develop a new theory grounded in the views of the participants of the research, an ethnography approach tries to describe and interpret the shared patterns of the culture of the group being studied, and a case study approach aims to provide an in-depth understanding of a specific case.

Why qualitative, single case study research method was chosen for this research

A single case study research was chosen as the research method for the following reasons:

(a) The research aims to answer why and how an established theory was applied

Qualitative research generally aims to answer the “why” or “how” questions. Asked any management executives if they wish to drive growth for their organisations, all executives would definitively say yes. But if being asked specifically on how to drive growth through consciously adopting disruptive innovation theories, the responses would inevitably be why it is necessary to consider driving growth through disruptive innovation as opposed to other possible actions, and if we were to consider adopting the theory of disruptive innovation, how could executives execute such growth plans. The aim of this research is to specifically identify whether and how the theory of disruptive innovation can be consciously applied, and what were the insights and hurdles faced in such application. Myers explains that a single case study research has the benefit of “face validity”, meaning that empirical research on an organisation would likely represent a real life situation that other researches can more easily identify with (Myers, 2019). Developing such an in-depth understanding would require detailed interactions with the stakeholders to understand their intentions, motivations, attitudes and possible factors leading to their actions.

(b) The research is context specific

A case study of an organisation in the primary healthcare sector in Mainland China was used as the research site for this study. A case study approach views the context in which a theory is applied is complex, and the boundaries between the phenomenon of interests (i.e. the implementation of the theory) and the context (i.e. the primary care sector in which the theory is applied) are not well defined or is fluid (Yin, 2003). The selection of a single organisation (i.e. UMP) will allow the researcher to investigate and discover the factors required for applying the theory of disruptive innovation under the 3H framework, while also acknowledging that those issues identified are likely not be considered definitive, and allowing for the possibility for further discovery and modifications during the case study (Yin, 2003), thereby truly acknowledging critical realism as the core philosophical basis for this research. Myers also explained that a single case study approach allow researchers to test theories within the context of unpredictable and real life situations, whereby there may be multiple, but equally valid interpretations for how certain actions and decisions were made (Myers, 2019).

A single case study approach could facilitate the development, refinement or advancement of a holistic framework for application of theories. Eisenhardt also pointed out specific benefits of single case research, as single case researcher can fit a theory to the many details of a specific case, as compared to multiple-case researchers that try to identify patterns that apply across multiple cases. The core benefit of a single case study is that through the details in a richly observed single case, other readers of the research could often able to apply (in the words of Eisenhardt, “more robust and generalisable”) such observations through their

own interpretation into their specific cases, notwithstanding that the single case research clearly warns readers that the research was bounded by specific conditions (Eisenhardt et al., 2007).

The many choices that leaders and management team make everyday in driving disruptive growth, especially where one of the core tenets of the theory of disruptive innovation is to acknowledge and empower front line executives to formulate emerging strategies through learning (which also means allowing executives to fail), means that it is necessary for the subjects involved to freely express how they individually interpret the organisation's strategic initiatives and made their corresponding choices.

(c) The research is bounded by a specific set of conditions

The goal of this research is to describe a range of possible reasons or conditions for certain decisions taken by UMP in its journey for seeking growth in Mainland China, and from this case study, aim to generalise a range of actions and decisions, under the disruptive innovation theory and 3H framework, that organisations could implement and should be made aware of (i.e. avoiding possible pitfalls) should they wish to similarly drive growth using the disruptive innovation theory.

As analysed in Chapter 2, given the range of complex reasons, actions and decisions that may be necessary to implement disruptive innovations, a qualitative research approach based on a single case study is most appropriate, as the goal of this study is to provide and analyse the rich context in which decisions were made by UMP in executing their growth strategies. More specifically, this research

takes on the critical realism ontological approach (Bhaskar, 2013, Edwards et al., 2014) whereby it is acknowledged that there is predictive value in the disruptive innovation theory, but the research also wants to examine how such theory is applied in reality, through the 3H framework, to seek further truth and identify further potential research insights in the application of both the disruptive innovation and 3H framework theories.

(d) Inductive analysis from semi-structured interviews is expected to provide useful insights for the application of the theory

One of the core advantages of the single case qualitative research is the ability to conduct *inductive data analysis* based on the respondent's feedback and interpretation of the disruptive innovation theories. The semi-structured interviews being conducted between the researcher and the subjects allow for rich interactions that probe deep into the meaning behind statements and decisions, thereby also allowing for potentially new themes or abstracts to emerge from the process. Gaya advocated that a single case study, when properly constructed, is one of the most appropriate methodology for strategic management research that has the potential to extend and refine the theory being examined (Gaya et al., 2016).

This is particularly important for the case involved, as the application of disruptive innovation theories in Mainland China, and especially in the context of primary healthcare, has not been researched before. For example, another important tenet of disruptive innovation is to hire people for their experiences in embracing uncertainty and iterations (i.e. a willingness to hire people that have no healthcare

sector experiences), and in such interactive learning process, potentially create new business and operating models. In the context of provision of healthcare services, which is highly regulated and where decisions are generally made by stakeholders who are used to the following of standard operating procedures, such counter-intuitive and deliberate human resources practices would best be studied and examined through conducting interviews with the selected subjects, with the goal of open listening and only trying, on an ex-post basis, to identify the patterns for how these decisions were made.

(e) The insider view provides a detailed account of how the theory was applied

An insider perspective is adopted for this case study. This insider approach allows the research to incorporate highly reflective learning by all the management team members and staff who would both be creating knowledge and living within the context.

The benefit of using a single case study was also commented on by Dyer in 1991, whereby he explained that single case study that are "good stories", with a detailed account of the context in which the research took place can often help others to see similar phenomena under different business context too. Dyer commented that, although a single case study may be conducted, for example, in the healthcare industry, the findings and observations may also become applicable in other industries too (Dyer Jr et al., 1991).

5.4 Field procedures for data collection methods and process

This case study applies three levels of perspectives: a *first* person perspective through conducting one-on-one interviews with both management team members (excluding the researcher myself) and staff who work at the organisation and who would share both their current and past experiences (Creswell et al., 2016, Yin, 2003), a *second* person perspective will be provided by myself as both a researcher and a member of the management team of the organisation (details of which is provided in Chapter 5), and a *third* person perspective by examining various documents and artifacts (also described in Chapter 5). The use of multiple sources of data provide additional support and justification for the reliability of the data collected, as these data would together enable a coverage of a broad range of views, which in turn would facilitate the triangulation of data sources to assess the confirmability (i.e. objectivity) of the data gathered (Gaya et al., 2016).

The data required for this research include document review and conducting in-depth semi-structured interviews with selected individuals from UMP and with various external third parties.

5.4.1 Documents reviewed

The document review will include analysing the publicly available information of UMP, including but not limited to its IPO prospectus, its published annual reports and financial reports, publicly available media interviews conducted with various members of the management team.

IPO prospectus – the researcher joined UMP just prior to the IPO of UMP on the Hong Kong Stock Exchange. The IPO prospectus sets out the history of development for UMP, from its inception in 1990 to its strategy of expanding into Mainland China. The IPO

prospectus was prepared by UMP's management team together with various experts from industry consultants and various financial advisors. Of particular importance is that the prospectus provided detailed strategy regarding how UMP plans to enter the Mainland China health management market through the initial establishment of joint ventures with strategic partners and shareholders, including market sizing, market competitor analysis and the proposed allocation of proceeds from the IPO to be used for expansion in Mainland China.

Annual reports and financial reports – all of the annual reports since IPO have also been reviewed and examined. UMP's operational and financial performance in Mainland China were described in detail in each of the annual reports. Of particular importance is that as the Mainland China is a new business that requires investment, overall group financial performance has been negatively affected by the operating losses of the Mainland China business. On the other hand, whilst the financial performance of the Mainland China's business has been negative, on the operational front, UMP China has expanded its infrastructure to over 150 PPP clinics and to training over 1,000 doctors in Mainland China as of June 30, 2021. The researcher shall analyse such data to obtain insights with reference to the disruptive innovation framework.

Media interviews with management team – over the years, members of the management team have been conducting various media interviews which, inter alia, have discussed on UMP's strategies and performance in Mainland China. The interviews generally focused on why UMP is expanding into Mainland China and on its adoption of

technology overall. The interviews provide insightful perspective on how management team thinks about its Mainland China expansion strategies.

5.4.2 Interviews - Construction of Interview Outline

To answer our research questions, a set of questions were designed to facilitate discussions around the Heart, Head and Hand elements under the 3H framework. The process is important to further support the credibility and reliability of this single case study, as the questions should be asked based on the rationale of the disruptive innovation and 3H framework (Creswell et al., 2017, Gaya et al., 2016, Myers, 2019).

First, for the Heart element, questions were designed to try and probe the subjects to explain what were the factors that had attracted them to join UMP. Questions were also asked of their career background and their interests in the primary healthcare sector that UMP operates in. The goals of these questions are to identify whether any patterns may emerge to explain why these subjects were willing (i.e. committed to the stated objectives) to invest their time and effort in participating in the disruptive innovation initiatives.

Second, for the Head element that is focused how UMP China can achieve its stated objectives, questions were designed to probe the subjects to describe what kind of strategies were, in their opinion, adopted by UMP China. General questions were asked such as asking subjects to describe the SWOT of UMP China, their description of the strategies so far adopted by UMP China, their understanding and description of what UMP China should be doing in order to advance further, and more specifically, their views on what UMP would need to do, or continue to do, to challenge the dominant hospital healthcare system in Mainland China.

Finally, for the hand element that is focused on what resources and competences are required for UMP to succeed, subjects were invited to describe what qualities are required for team members to perform well at UMP China. Subjects were also asked to comment on whether resources are being allocated appropriately, and if not, what suggestions they may have for the management team. Subjects were also asked about how management tracks and measures progress.

These set of questions were first piloted with two of the identified interviewees and the insights identified using these questions were broadly satisfactory. After the first interview, some of the questions were re-phrased for further clarity, and some of the repetitive questions were deleted. Some of the questions were further modified to make them more open ended to facilitate more open sharing by the subjects. A total of 17 questions were finally used for conducting the remaining interviews. Please see appendix C for the final set of questions used for the interviews.

5.4.3 Site selection

As set out in Chapter 3, UMP Healthcare (the “Parent Company”), through its majority controlled subsidiary, UMP Healthcare Mainland China (“UMP China”), has been very successful in expanding its scope of business in the Greater Bay Area since 2018. UMP China was the case study site chosen for this research. Permission has been obtained from the Chairman of UMP Healthcare Group for conducting this research.

While Chapter 3 had set out details on the success of UMP China’s expansion strategy in the Greater Bay Area, the attribution of such success to the application of the disruptive innovation theory can only be examined from the lenses of the managers from both the

parent company, UMP, and from UMP China who have been executing on UMP China's strategies since 2015.

The Parent Company and UMP China, as the sites for conducting this research, will provide a longitudinal case study for examining how a the gradual change in the management approach for the Parent Company's expansion strategy in Mainland China had led to disruptive innovations being initiated and executed.

As stated in Chapter 2.1 by Christensen, disruptive innovations requires management team to adopt very different lenses in order to identify and execute on the opportunities in low end disruption or non-consumption disruption. Such different lenses can only become possible, as hypothesised by Christensen, where a separate management team is operating away (both in terms of reporting and physical location) from the original corporate structure in order for such management team to function independently and be measured differently from how the parent organisation is organised. As such, the main focus on the interviews to be conducted will be with managers and staff at the UMP China level, but also with selected managers from UMP to understand their perspectives on how UMP China is managed and governed. This approach was similarly adopted by Gaya in her single case study in studying the market leader in the moto service industry in Kenya, where a focused interview of selected management team members shed important insights on how such firm was able to maintain its leading position in a highly competitive market (Gaya et al., 2016).

5.4.4 subjects selection and description

Participants were selected from both the Parent Company and from UMP China, and includes both existing and departed senior executives to mid-ranking staff. The staff were selected based on the following criteria:

- Have had direct involvement in the establishment of UMP China;
- Have been involved in formulating the strategies for UMP China's expansion plans;
- Have been frequent travelers from Hong Kong to Mainland China to implement UMP China's strategies;
- Years of working experience in the health maintenance organisation industry, including time spent within or outside of UMP;
- Years of working experience within the primary healthcare industry in Hong Kong and in Mainland China;
- Different levels of seniority within UMP China's organisation structure; and
- Their willingness to participate in this research on a voluntary basis.

The selection of key informants for collecting specialised, in-depth data is regarded as one of the key attribute for single case study (Eisenhardt et al., 2007).

In addition to staff within UMP China, interviews were also arranged with the customers of UMP China for obtaining different perspectives on their view of UMP China's expansion strategy. Such third party interviews would help to reduce insider bias concerns, and helps to triangulate and support the objectivity of this study (Yin, 2003, Myers, 2019). Their outsider perspective are also expected to shed views on whether

UMP China has been effective in executing its strategies under the disruptive innovation framework.

5.5 Conducting the interviews

After the subjects were selected per 4.4 above, interviews were arranged at a time that was convenient to the subjects. The subjects involved were of different cultural and nationality background, and as such, a combination of English, Cantonese and Mandarin were used. The overall principle was to choose the language that the subjects were most comfortable with in order to ensure the most contextual insights can be obtained from the subjects.

The interviews were conducted both in person and via video conferencing. Before the start of the interview, the subjects were briefed on the purpose of the research, why they have been chosen to participate in the research, and also read to them a summary of the consent form that they are asked to sign to signify their consent to participate in the interview. In particular, it was emphasised to the subjects involved that the discussion will be recorded in full and be transcribed for further analysis by the researcher. The subjects were reminded that they are at will to withdraw from the interview at any time, and can also choose to withdraw altogether from the research even after the interviews have been completed.

After the subjects acknowledge the above, the interviewer commenced the interview and proceeded to use a smart phone to record the discussion where the interviews were conducted in person. In the case where interviews were conducted via tele-conferencing, the tele-conference platform, Zoom, was used as the communication

channel. The subjects were reminded that the whole discussion will be recorded on Zoom and be transcribed. Again, the interviews only proceeded after the subjects acknowledge they are agreeable to proceed.

A total of 22 interviews were conducted in between July 2021 and September 2022. The subjects were all given in advance a copy of the questions that may be asked. All of the subjects were told that those questions are not exhaustive and that they do not need to specifically answer all of the questions. The questions were specifically designed based on the 3H framework, and as such, once enough information and insights for a particular construct has been obtained (for example, for questions relating to the heart element, where one of the subjects indicated early on in the interview that she was attracted by the prospects of working in the healthcare sector to cure others), the interview would proceed to the next set of questions to discover insights for other constructs.

All the interviews were conducted by myself. The interviews conducted ranged from 35 minutes to 90 minutes. After the interviews were completed, each of the interviews were transcribed. Furthermore, where the interviews were conducted in Cantonese and Mandarin, the final transcript would contain both the Chinese and English wordings.

5.6 Data analysis

All of the transcripts were imported into Nvivo system for analysis. Nvivo is a software tool that conveniently allows researchers to do line by line coding of insights captured from the interviews. Nvivo also enables researchers to analyse documents (i.e.

annual reports, presentations) and selecting extracts for grouping into summaries and codes for further analysis.

In addition to the transcripts, all of UMP's interim and annual results announcement, the IPO prospectus, investor presentations and various media interview articles were also examined and reviewed.

Through using Nvivo, documents were examined to identify for patterns around the disruptive innovation and 3H framework. The transcripts were reviewed in chronological order. The initial three transcripts reviewed provided an initial set of codes that are first grouped under each of Heart, Head and Hand categories under the 3H framework. Second, under each of the 3H element, further sub-codes were developed to provide additional context (Lune et al., 2017, Myers, 2019). For example, under the Heart category, it was observed from the subjects that a strong interest in the healthcare sector and in the desire for caring for others was one of the core motivating factors for the subjects in joining UMP. As another example, under the Head element, it was observed that while UMP China is a new business, subjects are attracted to work at UMP China by the prospects of participating in growing new businesses and being able to implement new ideas on a trial and error basis.

Under each of the 3H elements, over 4 level of sub-codes were initially developed. As the various sub-codes began to expand, similar codes were grouped and collapsed into a higher level category (Myers, 2019). During such process, patterns also began to emerge to show the *inter-relationship* amongst the various 3H elements. As an illustration, in one of the interviews, while a subject was frustrated by the uncertainty of UMP China

management team exploring different business initiatives that have no clear path to revenue, such subject was nevertheless committed to keep executing on such strategy. Such subject explained that she is the kind of people who would never give up until all options are exhausted. The subject also explained that this is a cause she finds worth being committed to, as she has had patients and relatives who have suffered from chronic diseases before. The potential in developing a business model that can help these patients is a cause that she finds significant meaning in. Here, there is an emerging pattern of interactions among the skillset or mentality required for success (i.e. the Hand element of perseverance, being what kind of recruitment strategy and human resources policy would need to be put in place), the strategy for trial and error (i.e. the Head element) and the reason for committing to a stated cause and course of action (i.e. the Heart element, being a cause that the subject is committed to).

In summary, the Nvivo system was used to analyse transcripts that in aggregate contained over 100,000 words, 10 interim and annual results announcement, and various other media interviews conducted by various executives from UMP and UMP China.

5.7 Reliability, validity and triangulation

Reliability in qualitative research is defined as the dependability of the study (Yin, 2003). As compared to quantitative research, which defines reliability as whether the same study can be repeated based on a set of defined procedures for the same results, qualitative research focuses more on analysing contextual specific phenomenas and whether such insights and patterns obtained can be transferrable to and become applicable in other similar situations (Myers, 2019). Therefore, to ensure the study is

reliable, and hence dependable, the process in which the various interviews were conducted and the documents analysed must be clearly sourced and audited (Creswell et al., 2017). Throughout the study, a clear audit trail is maintained to clearly document when each interview was conducted, the subjects involved. In particular, the content of the consent form was again explained to each of the subjects prior to the start of the interview. The same protocol was adopted and followed for each interview.

Dependability in qualitative research also refers to the validity of the study. Here, validity is referred to as the quality, rigor and trustworthiness of the study (Gaya et al., 2016, Creswell et al., 2017). More specifically, in our context, validity here is measured by whether the design of the data collection process reflects what the researcher intends to investigate (Gaya et al., 2016). To ensure the research findings reflect the subjects' views and perceptions, throughout the interviews conducted, the interview questions were used as the framework for follow up questions. Where there were instances in which the researcher was not clear on what the subjects were expressing, follow-up questions were immediately asked to provide opportunities for subjects to explain their opinions further.

During the coding process, where there were views and opinions expressed were not clear, follow up discussions were scheduled. In such follow up discussion, again to ensure that the subjects are aware of the voluntary participation in this research, those selected subjects were reminded again that they are at will to withdraw from the interview. The subjects were also reminded that they could obtain a copy of their transcript for their own record should they wish to retain a copy for their own reference.

Finally, once all the interviews were coded, the insights and patterns identified were also triangulated with other public documentations such as UMP's published annual reports, media interviews and other third party research reports on the state of Mainland China's healthcare system (Myers, 2019). For example, throughout the interview with the subjects, a recurring theme is that Mainland Chinese patients, by and large, do not trust that the primary healthcare physicians are capable to solve their healthcare problems, and hence there is a preference for Mainland Chinese patients to go to public hospitals to seek help, notwithstanding that seeking help from public hospitals would generally be very troublesome and time consuming. To validate such opinion, other industry research reports were examined to triangulate such opinion, and which confirms that such recurring theme indeed is prevalent in Mainland China. Triangulation in qualitative research allows for control in bias and provides further support for the validity of the study (Yin, 2003, Myers, 2019, Creswell et al., 2017).

5.8 Research ethics issues

The study adheres to UWTSD Research Ethics and Integrity Code of Practice⁶⁰ and UWTSD Research Data Management Policy⁶¹. Regarding the interviews conducted with the subjects, in addition to just asking the subjects involved to sign a written consent form for participating in the interview, the following steps were taken at the beginning of the interview:

⁶⁰ <https://www.uwtsd.ac.uk/media/uwtsd-website/content-assets/documents/research/research-ethics-integrity-code-practice.pdf>

⁶¹ <https://www.uwtsd.ac.uk/media/uwtsd-website/content-assets/documents/strategies-policies/Research-Data-Management-Policy-27.01.16.pdf>

1. Clearly describe the main research procedures to the participants in advance, so that they are informed about what to expect;
2. Explained to the participants involved that their participation is voluntary;
3. Explained to the participants that their written consent will be required for participating in the interviews;
4. Explained to the participants that their refusal to participate in the research will not affect their roles and duties at UMP or UMP China;
5. Explained to the participants that they may withdraw from the research at any time and for any reason;
6. Throughout the interviews, clearly explained to the participants that they are at will to omit any questions if they at all feel uncomfortable, or simply just do not want to answer for any reason;
7. Explained to the participants that their data will be treated with full confidentiality and that, if published, their identity will not be disclosed;
8. Provide a de-briefing to the participants at the end of the interview to summarise again the purpose of the research, and ask whether there were any specific opinions expressed by the participants in which they would prefer to be redacted;
9. Explained to the participants clearly that they will not be paid for participating in the research;
10. Explained to the participants that the interview will be recorded and transcribed for analysis for the purpose of this study only and will not be used for any other purposes. The interviewees have also been informed that the transcripts will be destroyed within six months after the successful completion of the thesis; and

11. Offered to the participants that should they wish to receive a copy of the transcript, they can request for it at any time.

Regarding to certain risks involved in the research, the following steps were taken:

- (a) *Privacy of the respondent's identity and the information provided* – adequate safeguards were adopted in the research to ensure that the study will not collect any more personal than is necessary for conducting the qualitative analysis. All data obtained were anonymous. The data will also be protected and encrypted with passwords
- (b) *Sensitive information on UMP and UMP China* – consent was obtained from UMP's legal and compliance department prior to disclosure of any non-public information. Care was also taken to ensure that no price sensitive and non public information is disclosed in the thesis. Overall, the study predominantly has relied on publicly available information for conducting various analysis in order to minimise the risks of unintended disclosures of information in the study
- (c) *Risk of researcher being perceived as causing undue pressure on interviewees and participants to give favourable responses* - As the researcher is a senior executive at UMP and UMP China, there could be perceived conflict of interests of interviewees and participants providing "favourable" answers during the interviews. To address the issue of objectivity and avoid bias, special care was taken to ensure that the questions were open ended in nature and will not lead to any potential conflicts of interests. Interviewees' names will not be revealed to ensure they give impartial reflections.

5.9 Summary

This chapter started by explaining the use of single case study as the appropriate methodology for answering our research questions. The context in which this research was conducted was also explained in detail, including why and how the subjects were selected, from both UMP and UMP China, for sharing their insights in answering the research questions.

An overview of the data analysis approach using Nvivo was also explained. To provide further support for the analysis, public documents such as UMP's annual reports, interviews and other third party research reports were also reviewed and triangulated with the interviews conducted. Details regarding the research protocol and practices were also described in this chapter, strictly adhering to the research ethics guidance as set out by the University.

In chapter 6, the findings from the semi-structured interview questions conducted shall be examined against the research questions proposed in chapter 1.

Chapter 6: Research findings from semi-structured interviews

6.1 Introduction

This chapter develops a set of themes from the case study to answer the following research question:

“How could managers holistically implement disruptive innovation strategy to drive growth in the primary healthcare industry in Mainland China?”

This chapter now examines how the disruptive innovation strategy was implemented by UMP China through having the selected subjects answering the following questions:

No.	Question	Purpose of the question
1.	The heart element: how could organisations motivate its working team to believe in disruptive growth?	As examined in chapter 2, for an organisation to engage their employees to execute its strategies, it is important that its staff and members find meaning in their day to day job and they feel motivated to persevere through the challenging tasks that face them every day (Carton, 2018, Sussman et al., 1983) Christensen also commented that the services offered to customers by an organisation should focus as much on the emotional and social aspects of the services being offered to as are the functional aspects, such that the stakeholders, which include both the employees and customers of the

No.	Question	Purpose of the question
		organisation, can personally connect with the services offered (Christensen et al., 2016)
2	The head element: How could organisations build their differentiated competence in primary care in Mainland China under the disruptive innovation theory framework?	Question 2 aims at asking the subjects to comment on UMP's SWOT that would enable UMP to have comparative competitive advantages in executing its strategies (as further analysed in Chapter 3). What the subjects believe in, in terms of an organisation's SWOT, and hence how the subjects interact with management's intended strategies are shown to have correlation to the effectiveness on the implementation of the intended strategies (Menon, 2018). Christensen observed that an organisation's SWOT, when compared to the industry incumbents, could in fact be the very reason why the disrupter could succeed, as the disrupter would acknowledge and find new ways to leverage on its weaknesses and strengths to service the low end and non-consumption customer segments (Christensen et al., 2013)

No.	Question	Purpose of the question
3	The head element: How could organisations implement disruptive innovation strategies?	Question 3 aims to prob the subjects to offer their opinion on how UMP's strategies had been implemented in practice. Open questions were asked of the subjects to get a genuine assessment of what the subjects perceive as UMP's planned strategies within the disruptive innovation framework, and how well such strategies had been implemented (Christensen et al., 2002, Christensen et al., 2017). The answers will share insights on whether UMP's intended strategic planning matches what the subjects perceive as being executed on the ground, as well as getting the subjects' views on the effectiveness of such strategies (Evans et al., 2008)
4	The hand element: How could organisations consciously develop the competences required in team members for implementing disruptive innovation strategies?	Question 4 aims at examining what kind of competences are required to be developed by UMP for executing strategies under the disruptive innovation framework. The concept of emerging competences are examined (McGrath et al., 1995), whereby subjects were asked (i) what competences do they see as critical, (ii) why these competences are important and (iii) how these competences are

No.	Question	Purpose of the question
		interdependent on each other (Kor et al., 2005) for the effective execution of UMP's strategies (i.e. how experts in the field of medical, artificial intelligence and insurance work with each other, which are central to UMP's managed care business model). Henderson also showed that the execution of disruptive innovation strategies is not simply a question of senior management cognitive failure, but management must also be cognizant of whether its organisation has the competences to execute through the strategies (Henderson, 2006a). The subjects were also asked to comment on what they view as competences that are required of them or need to be developed for UMP going forward
5	The heart, head and hand integrated together: how could the 3H elements be integrated to support the implementation of	Question 5 aims to ask the subjects to freely comment on their overall assessment of the effectiveness of UMP's disruptive innovation strategies. As proposed in chapter 2, a high level of synergistical integration of 3H is critical to creating a holistic management process that would go to support the effective and efficient execution of the

No.	Question	Purpose of the question
	disruptive innovation strategies?	disruptive innovation strategies. Rogers summarized the importance of integration of (i) heart and soul (i.e. vision, mission and value), (ii) head (i.e. strategies) and (iii) hand (i.e. capabilities of team members), and showed that for an organisation to achieve its stated objectives, management and leadership approach must be “sensitive and responsible to the rhythms, culture and stages of organisation development that shift over time” (Rogers, 2010). Yu also showed that the Chinese government has been able to navigate the COVID-19 pandemic comparative better than other countries due to its integrated 3H approach in executing its COVID-19 policies (Yu, 2021)

Set out below are summary of findings from the interviews conducted.

6.2 Findings 1: Organisations must consciously communicate its vision, mission and values to its employees to generate alignment at the heart level

In examining what attracted the team members to work at UMP, most of the subjects indicated during the interviews that they were attracted by UMP's purpose and culture, as well as being comfortable to be associated with UMP's vision and values.

UMP's vision statement, as stated in Chapter 3, is set out below again for easy reference:

“To give everyone trusted and affordable care, so that everyone can freely pursue their dreams without worrying about their health. To do so, we aim to be the most technologically advanced primary care provider in the world”.

UMP's values are also communicated to its employees in various formats, including in induction materials, as well as being printed on polo t-shirts that are given to staff when they join the company. As part of the onboarding process, the human resources team would also introduce new joiners to UMP's vision, mission and values. A walk around UMP's head office in Shenzhen also shows that throughout the office, there are various company prepared videos that explain further on the importance of UMP's values and what UMP expects of their staff.

UMP's values are also summarized into the acronym PASTIME, which stands for Perseverance, Agile, Sustainable, Trustworthy, Innovative, Mindset and Excellence.

To ascertain staff members' acceptance level of UMP's vision, mission and values, the subjects were asked questions including what attracted them to join UMP and how

they interpret UMP's vision, mission and values as being relevant or not relevant in their day-to-day job.

6.2.1 Staff express broad consensus that they resonate with UMP's vision, mission and values

Not just for the money

Most of the subjects indicated that they could resonate with UMP's vision, mission, values and culture. In asking how UMP's vision and values compares to those that the subjected had worked for, some of the subjects specifically mentioned that their motivation for working at UMP is definitely not just for remuneration, and are interested in the bigger purpose behind UMP's primary care focused business model:

“.....you definitely feel that UMP's vision is not just to make money, but you actually really want to contribute to the bigger society, you want people to benefit from primary health care..... I want to do the same as well, so I don't want to just go to work and make money. [People] here are all so devoted, and such strong believers of what they're doing. Because they know at the end, we're getting somewhere and to a bigger purpose [in primary healthcare].” [subject 01]

Another subject mentioned:

“....it is impossible to make fast money in this industry [i.e., in healthcare]. Unlike Alibaba and Tencent, you could get a lot of bonuses every year in these kinds of companies, but [at UMP], you can improve your ability and

reflect on your own values, and also, you can help a lot of people through what you do.....” [Subject 11]

A further subject mentioned:

“.....In fact, before joining a new company or a new team, I pay more attention to whether it really does something beneficial to the community, or whether it is a company that purely pursues some financial benefits....” [Subject 06]

Another subject also cited the wish to make an impact to the society:

“I think the vision or mission of the company I worked for in the past has two directions. The first one is kind of external, which is similar to UMP's vision statement, that is, it wants to change something, or make the world a better place to live. While the other is more internal, adding some of its own approaches and values, such as, what our company should do. I think UMP is more aligned with me in terms of the external kind vision which tend to change the market or make some impact” [Subject 03]

Make a difference

A few of the subjects recalled on their feelings after their job interview at UMP and express their thoughts on why they think UMP's business model resonates with him:

“.....After the interview, I went to further understand UMP. At first, I was shocked, because I always felt that the current internet medical care business model in Mainland China could not succeed, but when I saw that

a company could really start from the bottom [in providing training to doctors and nurses], I was shocked. This kind of training is difficult and hard, but I thought it was very valuable, because after the training, I could really learn a lot, and then I decided to contact UMP. After the interview, I very much recognized UMP's whole model, especially the introduction of the commercial insurance service system [to primary care] [Subject 11]

A further subject commented:

“When we spoke, the first thing I mentioned to the interviewer was my dream for HMO [Health Maintenance Organisation]. I felt that we should not talk about anything else, because we had a consensus on this issue. So this is really because I want to realize my dream, and this platform gives me a chance.” [Subject 17]

6.2.2 Staff generally believes that trustworthy and affordable services could be achieved through UMP's mission of focusing on primary care

A recurring theme is also on the subjects' alignment with the core concept of trustworthy and affordability being realised through primary care. When asked about their interpretation of trust and affordable, many of the subjects are aligned and commented that the primary care business model is critical to making healthcare more affordable and trustworthy, while at the same time, most of the subjects also clearly acknowledge that they face difficulties and frustrations in explaining this primary care concept to their business partners and customers in Mainland China. One of the subjects commented:

“I really agree with the values of UMP, which is what I have been saying, i.e., trustworthy and affordable general practice. With the addition of general practice, these three points [trustworthy, affordable and accessible care] are particularly important to me because trust is the core of general practice, which is the idea that I have been repeatedly instilled in my training at HKU Hospital for so many years.... What I have always wanted to do is the so-called value medical care, so in the long run, I think we are currently approaching this value step by step.” [Subject 10]

A further subject who serves at the frontline in delivering clinical care also commented:

“.... UMP's vision is to give everyone access to trusted and affordable care, and I agree with that very much, and that's what I want to do. In Hong Kong, you have to pay for medical services. Of course, you can also receive many services in the Hong Kong public hospital system, but the problem is that some people cannot afford them. Therefore, if our vision can be realized, it will be very helpful for everyone. If we can really realize our vision, we can change people's mind, so that people can enjoy good service regardless of their level of wealth” [Subject 02]

The clear focus on primary care, being a specialty in healthcare that can offer the broadest help to those in need, is also resonated by another subject:

“.....From my perspective my choice is either being a specialist of some field or being a general practitioner. Now, when I sit down, before I

specialize in anything, I said to myself, so if my mother came to me with some illnesses, can I actually help her and treat her? Yeah, my friend has a child who has something abnormal whatever, can I help the child and ever an elderly patient comes in, can I help them? So if you are a gynaecologist, you won't be able to help a child. If you're a geriatrician, you have no idea how to treat a child, and etc. So unless you're a GP, you can't be generalist enough to treat multiple illnesses. That's why I sort of had the drive to become a good GP....." [Subject 08]

One of the subjects in business development also cited her opinion on UMP's business model:

".... I highly recognize the business model used by UMP now. UMP takes our general practice GOLD training programme as an entry tool, then grasps the core resources, which are well trained doctors, and turns them into our service providers, then builds our service network online and offline, finally turning our service offering into health management products, forming an HMO model based on capitation (i.e., charging pre-paid membership fee for services), and then collaborating with insurance companies. From my personal understanding, this is in line with Mainland China's future medical or health development trend. Therefore, I think that the current position of UMP in this industry is promising, which is the second reason why I joined UMP." [Subject 15]

6.2.3 Staff members broadly resonate with UMP's stated values

In terms of value alignment, some of the subjects also share their comment on one of UMP's core value, perseverance. The following comment is from one of the subjects who frequent travels between Hong Kong and Mainland China and is required to go through mandatory quarantine of at least 14 days every time the subject visits Mainland China. When asked why the subject is willing to be separated from the subject's family, the subject answered:

“.....what keep me going is the belief that I want to see the success of this project [i.e., the doctor and nurse training programme that UMP delivers to Mainland Chinese doctors and nurses] in the whole of Mainland China.... [I want my students to be] at least at the same level as me and watch my students improve.....” [Subject 02]

One of the longer serving subjects who had worked at UMP for over 5 years mentioned:

“As far as I know, UMP is also the only institution that works in primary medical care.... But actually there are many difficulties in this process, which include predictable and unpredictable factors. But as the saying goes, Rome was not built in one day, that is, whatever you do, you have to do it first.....

Moreover, I think our trust in UMP, including the team's trust in UMP, is particularly valuable ...On the one hand, the primary medical care [business model] we are running now is a field that no one else has set foot in [in Mainland China]. On the other hand, our advantages lie in a kind of

persistence embodied in our company culture, which is very important. In my opinion, these two points are our biggest advantages, not because of how strong our fundings are, how many high-quality talents we have, or because we are sitting in a fancy office, but because of the persistence of the entire company culture...” [Subject 12]

One of the subjects who had worked at UMP for more than seven years stated:

“I think the third should be common values. We can develop our businesses if we have policy support and a good team. However, if our values deviate more and more and just have some orientations that only pursue short-term interests, I will find it difficult to achieve development. However, I think so far we all stick to the same goal and value we want to do so far, which is also a reason why I am willing to stay here.” [Subject 06]

Finally, one of the subjects who serves in the executive committee also shared his thoughts on the importance of value alignment:

“If you look at PASTIME, I think we're doing a lot of good things. And like, even like, silly pictures of the former meeting, people actually wearing a T shirt [with PASTIME]. I feel it's I think it's one of those things it takes.... it's one you have to continually live it for, hopefully, a long time, we really get some benefit. And then when it gets embedded, you don't have to mention it. I think it's very important that the leaders in the organisation deliver it and everyone needs, everyone loves it, that there's no exception at the front end,

the leader at the leader level, the leadership and the management to see...then with time, the values catch on.” [Subject 07]

6.3 Findings 2: Organisations need to have a history of competence in primary care, need to deliberately seek government policies support and be resilient with its strategic planning under the disruptive innovation theory framework

While the disruptive innovation theories could, as claimed by Christensen, to apply to any sectors, an innovator must also possess certain core competences to offer services that fulfil the definition of low cost or non-consumption innovations under the disruptive innovation framework (Hwang et al., 2008).

In offering these new category of services, the innovator must also examine the competitive landscape, be willing to modify its strategies along the process, as well as regularly conducting the necessary market scan to examine what pain points remain unresolved and how other competitors may have positioned themselves to solve these pain points (Hussey, 1999).

The core tenet of the disruptive innovation theory is to formulate market entry strategies that solve some of the pain points, and not necessarily all of the pain points of the customers. It is important for the innovator to fully appreciate its services or products positioning (as formulated under the disruptive innovation framework) and be resilient in executing its plans, whilst staying flexible enough to allow more concrete strategies to emerge (Christensen et al., 2002, Christensen et al., 2010). To verify these observations, the subjects involved were asked what they believe to have been factors that had allowed UMP to have succeeded in its expansion since 2019.

6.3.1 Building on parent company's competence and history as a leading Hong Kong primary care provider

In examining the pre-conditions required for the application of disruptive innovation strategies in the healthcare industry, subjects were asked questions on what they believe to be the core competence of UMP. Many of the subjects believe that UMP's origin from Hong Kong and its years of experience in primary care sets UMP apart from other healthcare service providers in Mainland China. Further, it is the ability to localize and adapt to the Mainland China market that the subjects believe have set UMP apart from other competitors in the healthcare industry.

A subject mentioned:

"I think UMP's core competence is its clinical origin from Hong Kong. It helps us get through many hurdles, especially in developing close relationships with the Mainland Chinese Government. It is precisely because we have some clinical teams of international standard that we could win the opportunity to cooperate with the government or other institutions...."
[Subject 03]

A focus on primary care is also quoted by one of the subjects as a core advantage in providing directions to the team members involved:

"But like UMP, we are driven by affordable care, so sometimes we can say no to customers. We will take the initiative to decline some partnerships and views. I think UMP's vision is very important. Without this vision, we will not have a common goal, and our positioning in the market will be very unclear."

Maybe customers will not look for specialists [care] from us, but when it comes to family doctors or community health care, they will think of UMP, which I think is very important. We bring in doctors from Hong Kong to the Mainland China, train doctors through a locally adapted learning method with localized content. Because no company will invest so many resources and manpower to produce the training content and carry out [doctors and nurse] training, I think this is a unique strength of our primary care business model.” [Subject 04]

A further subject also mentioned the importance of focus in primary care as a guiding the areas for commitment by UMP:

“After all, there are few companies or institutions in Mainland China that have the same background as ours and such commitment to primary care. Even if there are, they still have no commitment.” [Subject 05]

6.3.2 Organisations must deliberately seek government’s policy support for developing its primary care business

Policy support for the healthcare industry development in Mainland China was widely cited as a core pre-requisite for UMP’s development. Many of the subjects mentioned that they appreciate UMP’s expansion approach is in line with the Chinese government policies for the development of primary care and the Greater Bay Area.

In terms of policy alignment in primary care, a few of the subjects mentioned:

“I think the first advantage of UMP is that what it does now conforms to national policies, which is very important. In other words, no matter which

businesses of UMP, video consultation or chronic disease management, it is supported by national official documents, which is very important.”

“I think it is a big turning point for primary health care in Mainland China. In fact, we really put forward the slogan of primary health care and standardized it in 1999. At that time, Mainland China put forward the community health service centre or social health centre. We can regard it as the foundation of Mainland China's primary medical care. By 2030, the aging of Mainland China's population will become an irreversible trend. At that time, Mainland China will become a country with an elderly social population. It is bound to indicate that Mainland China's medical resources will tend to be tight and in short supply. The only solution is to fully implement graded diagnosis and treatment and make effective use of medical resources.”

“Why do I say we are on the right track? That is because, in view of the policy development in Mainland China, primary health care will be a topic that the government attaches great importance to in the next ten years or so.” [Subject 05]

In terms of policy alignment with the Chinese government's focus on the Greater Bay Area, some of the subjects mentioned:

“Moreover, the Chinese government attaches great importance to the development of the Greater Bay Area. That is, we have the support of local policies, so I think this is the most fundamental point. In Mainland China,

because there are policies support, there will be funds and resources and projects to be implemented.” [Subject 14]

“We are actually at an important turning point in history and are enjoying the dividend of the national strategic development policy of the Guangdong-Hong Kong-Macao Greater Bay Area, because the state is very supportive and welcome to Hong Kong-funded medical enterprises like us, which is also one of our advantages in terms of the policy. [Subject 15]

“First of all, I think the first one must be related to the policy direction, because now the Greater Bay Area phenomenon is inevitable. If you want to develop something new, Mainland Chinese policy encouragement or policy needs are very important. We have determined that two factors have promoted the development of our industry. The first is the Greater Bay Area district policy and the second is the primary care industry, which are the policies of the necessary direction of medical reform and for the development of Hong Kong, so these are very important.” [Subject 06]

6.3.3 Organisations need to be resilient in sticking with its disruptive innovation planning

Another core element of the disruptive innovation theory, as set out in chapter 2, is the differentiation on disruptive innovation versus sustaining innovation. Disruptive innovation is focusing on solving certain pain points of customers that are not served by the incumbents, and which the incumbents are also more than happy to let others serve such market (i.e. either because it is low margin, termed as low cost disruption, or

because it is in a market that is not yet served, termed as non consumption)(Christensen, 1997).

The incumbent hospitals in Mainland China are all focused on further specialisation in order to generate more fee for services and higher margin services, and generally see primary care services to be of low revenue and margin. Therefore, the incumbent hospital in Mainland China do not see primary care as an opportunity and is more than happy to let primary care providers to continue doing what they do. What the disruptive innovation theory predicts is that once consumers' low-cost consumption and non-consumption are satisfied, innovators can then gradually improve their services and quality to eventually challenge the incumbents.

Here, organisations must be resilient, even in face of challenges from its business partners and its team members, in trusting the interpretation of its primary care focused strategies under the disruptive innovation theory, such that the management team overall will continue to be confident in persevering through with its planned primary care focused strategies.

The strength of the incumbent hospitals in Mainland China have been highlighted by some of the subjects as their current challenges in business development, especially when they try to explain UMP's business model to potential business partners and end users:

"I think the great risk we face is the market's understanding of this primary healthcare concept, which may not be accepted by the market. This is an undeniable fact, because mainland people like to find specialists when they see a doctor, but their

understanding of primary care is not enough. Therefore, in terms of the popularity of primary care, even with the support of state policies, I think we are also at risk. Whether our model can be widely accepted or not is the first question we have to worry about.”

[Subject 04]

Another subject also made a similar comment:

“Because in Mainland China's health care system, although our vision statement has specified that our products should be affordable and assessable, but there are already a very clear and structural medical insurance system and social security system for payment of services in Mainland China. And at the same time, people have a habit of going directly to the third-class hospitals when they get sick, and this habit has been deeply rooted. Therefore, it will take time for our payers, or target companies, users, or even end users to change this habit and turn to trust another high quality and affordable health care system.” [Subject 05]

The issue on why incumbent hospitals do not see the primary care business model as a threat to them is also observed by another subject:

“In fact, public hospitals and experts are not interested in outpatient projects, so the development of primary medical care in the future is very possible, and now many outpatient departments in hospitals are gradually closing and are transferring these outpatients to the primary level [i.e., transferring them to be treated in community health centres]. But the current problem facing the government is the primary healthcare system does not have the

corresponding capability to deal with these transformed customers, that is to say, the ability to undertake services is insufficient, the insufficiency here refers to the capability of primary care doctors.” [Subject 12]

Finally, one of the subjects, who serves as the trainer for delivering training to doctors, made the following observation on why he is confident that the current preference of patients going to hospitals in fact creates an opportunity for UMP:

“I agree that Mainland China's predominantly hospital base, but the government, the Chinese government, is trying their best to improve primary care, which is a very sensible thing to do, because in all westernized countries, in order for the health care system to be sustainable, in order to provide better health for people, you need to have a better primary care. And so, although it's currently hospital based, it's going to change. It must change, and this is the opportunity for us.” [Subject 08]

6.4 Findings 3: Organisations need to embrace the emerging strategy approach during its disruptive innovation journey

In Chapter 3, UMP's market position and its corresponding strategies were analysed based on established strategic planning frameworks. As UMP is a listed company in Hong Kong, such strategies were outlined and summarised in various published annual reports.

In the actual implementation and execution of these strategies, however, UMP China has had to make significant changes based on what actually happens locally. Such changes were more than a simple localisation of strategies for the Mainland China market. Many of the subjects observed that UMP China could only discover its strategies through

the actual process of being in the market, examining closely what our existing and potential customers are *not* telling us, but which might be what they need (Christensen et al., 2016). The directions and focus on developing primary care were agreed by both UMP and UMP China management team, but the actual implementation of the top-down strategies was modified significantly and also measured differently.

One of the paradoxes of the disruptive innovation strategy is that it requires executives to develop new potential markets that, based on typical analysis using data available, such new markets would likely be seen as unattractive to the incumbents (Christensen et al., 2002). Nevertheless, when viewed from genuine pain points analysis, and embracing that disruptive innovation is a *process* (i.e. not a one off event) that takes an inferior service or product offering through solving *some of the pain points* of the customers first, it is nevertheless possible to devise emerging strategies to seize such new potential markets (Dyer et al., 2008). Evans also made a similar observation on the above and had usefully compiled a checklists for executives and entrepreneurs in choosing successful strategies for their expansion (Evans et al., 2008). In particular, regarding market opportunity, Evans specifically commented that the opportunity involved for business expansion must be a large growing market and where the competitor's response would likely be minimal or manageable. This observation is consistent with Christensen's explanation of why incumbents (i.e., Mainland China hospitals) would be unlikely to see UMP's primary care expansion approach as a threat to them at all.

The subjects were asked for their observations and perspectives of UMP China's expansion strategies. A summary of the findings is set out below.

6.4.1 Organisations need to be in the market to identify and appreciate the genuine struggles and pain points faced by its potential customers

A key element of the disruptive innovation theory is to focus on the jobs to be done for the end customer. As analysed in chapter 2, the disruptive innovation theory suggests companies to look deep into customers' decision making process, and suggest focusing on identifying a customer's functional and emotional pain points in their decision-making journey. Once these pain points are identified, an organisation may only need to offer something that is just good enough, to begin with, to solve some of the pain points, and let such solution take a footing in the customer's decision-making process. From such footing, companies can then gradually iterate and improve other aspects of their products and services.

One of the core pain points of seeking healthcare services in Mainland China is the long waiting time to see doctors in hospitals, and at the same time, even after such long waiting time, patients generally can only speak with the doctors for a few minutes due to the doctors' busy schedule. Here, UMP's primary care business model aims to deliver a more personalized approach to healthcare by offering to patients more time to communicate with primary care doctors, and also less waiting time due to the wide availability of community health centres that are conveniently located everywhere in Mainland China.

Therefore, although Chinese customers may not be able to seek, in their opinion, as high quality of healthcare services as compared to specialists in hospitals, the convenience and time for communication with doctors provide a good entry point for

patients to explore using primary care services. A few of the subjects concur with such approach and also see the future of UMP's business model:

“Now all the pain points of Chinese medical care are our opportunities. In fact, from the existing opportunities, we have grasped the training of general practitioner and nurse, because their abilities are really relatively insufficient.” [Subject 10]

One of the subjects also commented on how the future development of commercial health insurance, one of UMP's strategic initiatives, has potentials for reforming how healthcare services will be paid for in the future:

“In the long run, Mainland China's aging is getting more and more serious, and now there are fewer and fewer children. Everyone is sure to be worried. What should I do when I am old? What should I do if I get sick? In the future, the government cannot afford to pay so much. Commercial insurance, especially health insurance or pension, will have great opportunities. So, I think commercial health insurance has opportunities and it depends on how we will make it. That is to say, having a good product allows customers to experience good medical care as well as having good results and avoiding waste. This will definitely occur in general practice.” [Subject 10]

One of the subjects also pointed out the obvious struggles for the Chinese healthcare system:

“I recognize the project of primary health care very much. Although it may not be realized in recent years, it is definitely a direction in the future. It is a more convenient medical system with the widest coverage and direct

access to residents. Mainland China's current medical system has been in debt for a long time, such as village doctors and barefoot doctors, but this is understandable.... We can only guarantee quantity first [i.e., serving most patients] and then pursue the quality. So now it's time to make up for the quality, but I think our direction is right. In my opinion, my family doctor or doctor in my community should be like this.” [Subject 11]

One of the subjects also specifically analysed why people are going to hospital to seek healthcare services and what he sees as the future development:

“Why do people hate going to hospitals now? It is because people think it takes more time to see a doctor in public hospitals, and they have to face unsmiling doctors. This problem is reflected in the questionnaire of the post-90s, and they expect more service. As time goes by, when the post-90s generation gradually becomes the mainstream of the society, the whole social environment will change. At that time, people would look for institutions that have both the price and service quality of the public system, and the environment and efficiency of private medical institutions; and also, community health centres, especially our public-private-partnership family clinics that we are doing, would have the opportunity.” [Subject 12]

Some of the subjects also quoted UMP’s internet healthcare business model based on primary care can solve one of the key issues regarding the waiting time for patients to see doctors:

“More and more people choose not to go to the hospital, so they choose to seek healthcare services through the internet via telemedicine services.

Convenient consultations will be an obvious trend in the future, but you know this is going to be the trend... [Subject 12]

More specifically, on the rationale of UMP developing its own doctors training programme, we can also see how the identification of pain points has led to creation of new business opportunities too:

“Now, there's nothing like this in Mainland China. What Mainland China does do is to ask for these hospital specialists to come in and teach them these technical, theoretical things like for diabetes is because of insulin resistance. But when I see a patient with HIV, when his hba1c level is at 8.0 and is having these problems with their diets, taking these other medications, what should I do? These patients have no one to talk to. That's why our family doctor training is so useful. It's practical. It's not just theory, we also give them these workshops, where they train on their communication skills, teach them how to really talk to a patient, if they don't know how to talk to your patients, they can't communicate, they can't treat the patient properly. So combining theory and practical is the key to success in our goal.” [Subject 08]

6.4.2 Whilst in the market, organisations must allow strategy to emerge gradually

The above feedback is consistent with the core element of the disruptive innovation theory, which predicts that for new disruptive ideas to emerge, management team must be prepared to adopt an emerging strategy approach and be willing to tolerate potential

failure from new initiatives. A few subjects made the following overall comment about UMP China's strategy development:

"I think being innovative means to try different things and different market approaches. If we focus on what our competitors are doing, we will fall into the same result as them. So we should try different market approach, and then iterate. The biggest challenge in UMP's model is that the idea is relatively new, so our partners and insurance companies dare not try it easily. They are all waiting to see the market, this is a challenge that requires us to scale up." [Subject 03]

"The development of a company, of UMP, is to a great extent, dependent on how the thing is done by related teams and individuals. Therefore, during the development period, we need to explore. I will directly say that UMP is still exploring and going ahead." [Subject 06]

"For primary care. I think that's so exciting. I've been working in the government for 20 years, and it's just a huge elephant, you can't change anything, because many different hierarchical problems that that that you just can't change. So it's a new service, if [UMP management team] buy into your ideas, and most the time they do as long as it's logical, and you don't waste too much money, then actually they will listen to you, and you can do anything you want. And it's something which I, you know, still completely agree on, because I think this company really latches on to good and new

ideas. There are difficulties in terms of us being private healthcare providers. How can we really collaborate with government clinics to do this kind of thing? This is something which I find it difficult, but I know that our GOLD training programme is good for them. How can that be turned into a money churning machine?” [Subject 08]

6.4.3 Examples of emerging strategy: the GOLD education programme

The GOLD training programme had served as the foundation for UMP China’s expansion in Mainland China. As set out in chapter 3, the GOLD programme was developed internally by UMP China for its internal use in training its in-house doctors. In 2017, an opportunity came by when a regional government in Guangzhou asked if UMP China could also help them to train their doctors. UMP China seized the opportunity and started its training business of providing training to government employed doctors and nurses. As a new business line, UMP China could only keep iterating its service scope and revenue model as it proceeds along. One of the subjects recall how the GOLD training programme commenced in 2018:

“At the beginning, when we opened our own clinics, we found that our doctor’s abilities are the most important foundation for us. However, we could not find well qualified doctors. Therefore, we were half forced to accept the project of GOLD training. Then we were forced to get started on the project. We also needed to develop the values of Hong Kong healthcare. Then we suggested the doctors from Hong Kong to train the doctors from Mainland China. Then the project was started.” [Subject 06]

A further subject elaborated on the journey of how the GOLD programme was developed at the beginning:

“How the GOLD programme has developed into what it is today is beyond my expectation. There may be some very simple clinic management teaching we gave to the doctors, and we just wanted to whether this model could work. This was what I had in my mind at that time, but I didn’t expect it to turn out to be a very good idea now. [Subject 10]

It seems that our GOLD programme may be very simple, but in fact, the logic behind it is our own experience. We have done a lot of demand analysis, visited a lot of various front-line general practitioners. In addition, we went to chat with some experts to extract these important factors. This GOLD programme has also been improved from versions to versions. Our innovation mainly lies in how to adjust the mature foreign experience to the domestic experience, which is practical and feasible. In fact, this is the most difficult point. But how do we overcome it? I think I totally agree with UMP’s motto, that is, complete first, and then perfect (先完成, 再完美). In other words, we first make the initial version, and then adjust it according to our ideas.” [Subject 10]

6.4.4 Examples of emerging strategy: launching commercial health insurance products through using GOLD trained doctors and the PPP network

UMP China initial strategy was to open up its own clinics to develop a private service network. As stated in Chapter 3, such initial strategy led to significant losses due

to the high capital and operating expenditure required to operate a clinic network. This was also exacerbated by a lack of qualified doctors and nurses in the private market.

An emerging idea was developed whereby UMP China would, in return for training doctors for various regional governments, such doctors would also serve UMP's private patients in UMP's renovated public-private-partnership clinics that are set up within the current community health centres. This approach of physical clinic network expansion has the advantage of allowing UMP to expand its service network quickly without incurring significant costs. This was a new public-private-partnership idea initiated by UMP, as before UMP's proposition, community health centres in Mainland China do not accept private patients who seek services using commercial insurance as a form of payment. Further, government community health centres generally do not partner up with private organisation in delivering private healthcare services. One of the subjects commented:

“But I think one word UMP said in 2016, and it is often repeated, is the topic between chicken and egg. In other words, if you didn't invest in setting up clinics before in Beijing and Shanghai, you may not be able to do what you are doing now (i.e., persuade government community health centres to allow UMP to set up PPP clinics), because you would not build your own knowledge in how clinics in Mainland China are managed. Looking back to the money UMP spent in developing UMP's expertise in primary care in Mainland China, it's likely money UMP would needed to spend sooner or later. The problem is where UMP was going to spend it, and how UMP spend it. You just have to figure it out on the way.” [Subject 17]

UMP's emerging strategy of working with government community health centres to develop the commercial health insurance business requires significant iterations and cooperation from various regional governments. Since such an approach has never been done before, UMP China has had to work closely with regional governments to explain the benefit of commercial health insurance (i.e., increase patient flow to government community health centres that generally have much less patient traffic as compared to public hospitals, as well as bringing in new sources of funding for community health centres). At the same time, UMP also needed to devise new service workflows. Notwithstanding such challenges, the subjects involved generally were encouraged by such an iterative approach. When the subjects were asked for their opinion on such an unprecedented approach, one of the subjects commented:

“In terms of medical treatment, the worst model I think is the current model in Mainland China. The model in the United States is that you work more and earn more, and then do a lot of unnecessary medical examinations, which are greatly harmful to the patient in fact. The US model spends a lot of money but gives no good results. The current Chinese model is also similar as it is a fee for service model. In other words, I spent a lot of money to do a lot of things, but did not improve the result. I think it is wrong, the Chinese healthcare system will definitely be changed, because the trend of social development must be using less money to achieve better outcome for healthcare”. [Subject 10]

However, given what UMP China is doing is unprecedented, one of the subjects also noted his frustration on whether or not commercial health insurance companies

genuinely want to work with UMP to develop HMO at the current state of affairs in Mainland China:

“I always think that many of our current businesses are superficial and difficult to implement in depth. For example, when I promote commercial insurance, I will tell the directors of these community health centres that we will save you the service fund of medical insurance in the future. But so far, these public private partnership clinics have been idle after they are built.”

“If we really want to establish and improve Mainland China’s healthcare system, our target audience should be ordinary residents or the elderly who have no commercial insurance, even if there is no profit in the early stage. However, how to help these people through our system has always been a problem I have been thinking about. We may have to start to serve patients who are covered under the government’s medical insurance scheme. After the accumulation enough customers, we will gradually switch them to commercial insurance. In the later stage of the project, people will understand our whole system. In this way, we don’t have to go to the insurance company for cooperation, but they will take the initiative to come to us. Yes, so if we do something in the existing system instead of just focusing on commercial insurance, it will be better. This is just my personal point of view.” [Subject 11]

6.5 Findings 4: Organisations need to recruit team members who have prior healthcare industry knowledge. Organisations also need to deliberate recruit and train their team members to possess both (i) the start-up mentality and (ii) the growth mindset required for implementing disruptive innovation strategies

UMP China had clearly formulated strategies within the context of the disruptive innovation theory framework. Next, we need to examine how UMP China had executed its strategies through examining the competences required from its team members.

Given the emerging strategy nature of disruptive innovation, the competences required of team members have also been shown to be one of emerging competences, meaning that the competences required of team members would also need to evolve with the expansion of UMP China's business scopes.

As early as in 1995, McGrath et al had examined, using the resource-based views, what are the critical factors required for team members to effectively execute a firm's strategies. McGrath et. al defined the degree of deftness as contributing strongly to a firm's emerging competence (McGrath uses an even stronger term of "antecedent" for the develop of a firm's competence), and the degree of deftness can be summarized as the level of trust that team members have with each other. The higher level of trusts and alignment, the less is the internal communication costs on execution of strategies (McGrath et al., 1995). Emerging competence was also defined as a conscious understanding that more often than not, a firm's newly developed competitive advantage is usually formed through the process of pursuing new initiatives that could not be measured under traditional performance matrix. This view is consistent with Christensen's

observation that innovations generally cannot be measured and may only become obvious on an ex-post basis.

To identify the emerging competences required for UMP China, the subjects were invited to share what they believe were the core competences and attitude required for UMP China to succeed. This research approach was also used in a research conducted on law firms to examine the interdependencies among human capital deployment and the implementation of strategies by these law firms (Kor et al., 2005). In such research, Kor et. al identified that for firms that rely on professionals in delivering services to customers (i.e., just like how UMP China needs to rely on its doctors to provide primary care services), such firms who wish to increase their human capital leverage (i.e., generate more business per staff) would need to rely more on internal development of staff and also pursue lower level of service diversification. This observation is also applicable to UMP China, where UMP China's stated focus on primary care is through developing a team of doctors and nurses (i.e., via the GOLD training programme) that aims to deliver high quality of services.

The subjects interviewed provided the following observations as being the core competences and attitude required for UMP China to succeed:

1. Team members should have a healthcare or medical background or strong interests in the healthcare sector;
2. Team member should acknowledge that UMP China is akin to a start-up, notwithstanding that it started off as a subsidiary of a listed company. UMP China

team members therefore need to have a start-up mindset in approaching their tasks; and

3. Team members are encouraged to have a growth mindset and should always be willing to embrace new approaches, both in terms of personal development and corporate development.

6.5.1 Given the nature of the primary care industry, staff generally need to have a healthcare industry background for better engagement and alignment

When the subjects were asked why they have chosen to work in the healthcare sector, most of the subjects have indicated their interests in joining and staying at UMP originates from their healthcare sector background, either as practicing clinicians or as executives who have been working in the sector for some time. Most of the subjects have opined that those with healthcare background and with strong interests in healthcare would be more engaged with UMP China's expansion strategy. Set out below are some of the subjects' responses:

“Keeping with my original aspiration, I have always engaged in some occupations relating to healthcare since I entered the insurance industry in 2006, and then I went to some companies in the properties & casualty, life insurance and rescue sector. Thus, in the process of participating in the group insurance business, especially in the field of assistance service, I needed to know more about medical institutions and their behaviours.”
[Subject 12]

“I was a clinician before and have been engaged in clinical work for 8 years. After that, I have also been engaged in the operation and management of medical projects for many years. I am familiar with the whole medical industry, medical services, especially primary medical care, and have some industry experience.” [Subject 15]

“let’s start with some old-fashioned things. The first thing I care about is this industry. Compared to the entire medical environment, health care is always a kind of blooming and stable industry. I believe you all know that this is why health care has become a golden trend in modern era. Therefore, the first reason I choose UMP is this industry.” [Subject 05]

6.5.2 Staff recruited need to embrace and buy into the start-up nature of organisations engaging in disruptive innovation strategies

Whilst UMP started off as a subsidiary business within the UMP Group, what UMP China is doing is very much a new business that was started from scratch. Many of the past experiences of UMP Group, as an established managed care company, cannot be implemented in Mainland China without modification. This is also one of the core elements of the disruptive innovation framework. Being aware of this is critical, and the subjects interviewed generally acknowledge this in their responses when asked why they chose to join UMP China. The subjects expressed what they thought were the necessary mindset and culture required for UMP China to succeed. One of the recurring themes is the desire to build something from ground up:

“I enjoy growing up with the company. In fact, when I joined, UMP gave me the feeling that the company is not very big, but it has a plan to grow and expand. Therefore, even if it is very hard, I still enjoy my work, because there was nothing at that time, sometimes we just have to “touch the stone to cross the river” (摸着石头过河), we didn't have any so-called standard operating procedures for many of our processes. At that time, we all needed to gradually accumulate experience. I like to work from zero to one, that's why I joined UMP” [Subject 16]

One of the subjects specifically mentioned why he prefers joining a start-up:

“I think there are two greatest benefits of joining a start-up. One is that my growth in my career path, etc. will be great. For the other one, I can do things more free style. If you have a project, you can directly go to build it and test market, this approach is my favourite. I think this should be related to my personality. I prefer to try something new, or go to iterate soon to know whether it is right or wrong. It matches my character.” [Subject 03]

The importance of hiring the right team with the right mindset and willing to make changes to the organisation structure are also reiterated by the same subject:

“I think if we go into detail, the first point is, as I just mentioned, we have hired some senior management teams before, put into one sentence, they were not very aligned with our company's start-up style, because the approach of these large companies is very suitable for leading teams in a structure environment instead of a start-up like us.”

“For mentality, obviously, we need a start-up mindset, which is to iterate on what we are doing or our business model or team, to adapt everything to these changes, I think it is the mentality most suitable for UMP.” [Subject 03]

The importance of recruiting the right team with the right mindset was echoed by one of the subjects who had previously worked in MNCs, and who subsequently left the company due to the difficulty in changing his mindset:

“Private company lacks the rigor and experience of some larger global companies who, you know, have many years of development. So they have quite sophisticated management processes.” [Subject 07]

Another subject, who specifically chose to comment on why the senior executive mentioned above had decided to leave UMP China, made the following observation:

“I think for UMP China, sometimes we need to constantly adjust the organisational structure and development direction, and even there are some management imperfections within the organisation. I think it is understandable, because after all, we are still in the exploratory stage.” [Subject 15]

6.5.3 Staff recruited need to embrace the growth mindset to handle the emerging strategy nature of disruptive innovations

As stated above, disruptive innovations require a company to adopt an emerging strategy and be in journey of discovery of the appropriate strategies for its unique business model. The team members involved must have the right mindset to embrace

changes, embrace the notion of potentially overturning previously agreed directions and devise new strategies on the go. The company must also be willing to take appropriate risks and accept that certain failures are inevitable on such discovery journey.

An emerging strategy could be quite disturbing and difficult for team members who may prefer stability and a more structured environment. At UMP China, one of the values evangelized is the *growth mindset*. The concept of growth mindset is summarized by Professor Carol Dweck (Dweck, 2016), which states that a person with a growth mindset believes that new skills can be learnt and that a person's ability is not defined by its innate abilities. A person with a growth mindset would not see challenges and failure as setbacks, but would openly encourage criticism and be willing to see such criticism as necessary for both personal growth and for the development of the organisation they work with. A growth mindset organisation would encourage open discussions on new ideas and failures, hence having the potential for better collaborations and communications across team members. One of the subjects specifically concur with UMP China's promotion of the growth mindset:

"I totally agree with the growth mindset. You have to see the hope ahead and think about how to overcome it when encountering difficulties. Don't always worry that the mountain is high, you dig a hole every day and make progress a little bit. I think growth thinking is very important. Something related to growth thinking may be that you have to be open-minded and willing to change yourself by accepting criticism. This is also related to growth thinking, because there are many changes in our business model.

New forms are constantly appearing because our business model, at this stage, is always changing. There will definitely be frequent changes, maybe even change oppositely, suddenly I don't want to do this but do that. Therefore, we must be open minded, we must accept criticism, correction and regular reflection. I think our team must have the ability to reflect. Therefore, the growth mindset requires fast learning, frequent reflection and openness." [Subject 10]

Another subject also made a similar comment about the importance of having a growth mindset:

"... I was attracted by UMP's environment. That is, I have more free time to do some new things that I want to do. Besides, the work team and the work environment around me provide a bigger space for me to show my advantages. It's attractive on my own level. I think the most important quality for our team is a proper mindset. That is, can you accept new ideas? Do you support our present businesses or projects? What you are doing now might reverse your past ideas. It is very important whether or not you can accept such way of thinking and working." [Subject 06]

Other subjects interviewed have also embraced the growth mindset idea that we have to embrace changes frequently in our business models. Such change of business model may also require team members to take on new roles and duties that they may not have done before, as alluded to by one of the subjects below:

"More interestingly, in 2018, UMP wanted me to be in charge of operations, which made me so excited. In the past, I just have worked on selling and

marketing strategies, but operation was totally strange for me. Therefore, if UMP has given enough faith to me, why shouldn't I have faith in myself? Then just do it!

In terms of being in charge of operations, we have experienced the process from exploration to development, so we have our own set of unique methodology, which is our strength, but at the same time, it is also our disadvantage. Why? It is precisely because no one else has done this before, so we have no experience to refer to. Just like crossing the river by feeling the stone, for many things, we just make decision at the beginning and then learn from the data and experience later, and there is a cost to this learning, including time cost, expense cost, and even human resources cost.” [Subject 12]

6.6 Findings 5: Organisations must be deliberate in frequently communicating, to its team members, the organisation’s strategic plans to seek their engagement and alignment. Senior management must continuously take actions to monitor and integrate all of the 3H elements to holistically implement disruptive innovation strategies

The 3H framework, as posited by Yu, made the core observation that whilst each of the H elements under the 3H framework is critical for organisations to succeed, ultimately it is the synergistic integration of all 3H elements that would create the environment for efficient and effective implementation of an organisation’s goals (Yu, 2020). Yu had used the 3H framework to perform an ex post analysis how the Chinese government had handled the COVID-19 situation as compared to other countries and had found that the Chinese government, through consciously addressing and integration each

of the H elements, had been comparatively successful to other countries in preventing deaths from COVID-19 (Yu, 2021).

The importance of integrating all 3H elements was also commented on by Rogers (Rogers, 2010) regarding her involvement in social work education, where she stated that in order to succeed, there must be successful intersection of Head, Hands, Heart and Soul (i.e. Rogers used the term intersection instead of the term integration used by Yu, but both effectively have the same meaning). It is also worth noting that in various Chinese ancient classics that have continued to have influence on Chinese business executives and political leaders (Hinton, 2013), the importance of alignment and integration of the Heart, Head and Hand have continued to be emphasized as antecedents for achieving national and business goals.

To examine whether the 3H elements were sufficiently integrated at UMP China, the subjects were asked various open questions on what problems they have been experiencing at UMP China, as well as the challenges they see in UMP China business directions going forward.

6.6.1 Lack of frequent communications on strategy plans with team members will lead to misalignment, leading to potential team frustrations and staff turnover

While the subjects generally agree that UMP China needs to have a growth mindset and be constantly adapting to changes in the business environment, many of the subjects have expressed continuing and increasing frustrations with the management team. The frustrations mainly concentrate on unclear directions and lack of communications amongst team members. Many of the subjects felt that there is no

common goal for team members to achieve and that the directions are constantly changing. One of the subjects specifically mentioned:

“It seems that everyone does not have a common goal. In fact, there is still a clear goal in the short term. It may be necessary for senior management to convey it more clearly to the entire department and the corresponding departments. Maybe at this point, that is, synchronization, transparency and synergy, I think we still need to find ways to strengthen it.” [Subject 10]

In one of the executive meetings, UMP China’s senior management expressed its intention for UMP China to achieve operating cashflow breakeven status by the end of 2022. One of the subjects is concerned that such new focus will mean that the business development teams will need to adopt different growth strategy from what was stated in 2021, and such different strategies may be contrary to UMP China’s stated goal of developing the primary care business model, which inherently requires further investment to be made and will likely take a longer timeframe to establish than in 2022:

“If we expect to achieve our business purpose in 2025, we should begin with the end in mind. If we want to achieve our goals in 2025, then in 2022, I think that the goal we want to achieve cannot be based on income in 2022. What are our long-term goals? If senior management only look at the present situation, and sets the goal of 2022 to achieve positive capital and cash flow, then I think we don’t have to consider the HMO business model for the Chinese market now. Since we focus our vision and planning on the huge market of Mainland China and the business model of HMO, and we

must achieve it this year, I would like to ask our senior management team, what strategies and objectives should we be setting that is not contradictory to our vision?” [Subject 15]

The frustrations with unclear directions were also noted by a front-line clinician, who commented that the wave of new ideas from all team members, whilst encouraged by senior management, has led to serious problems about what team members should really be focusing on:

“I think our biggest crisis is that our foundation is unstable. I mean, I don't know whether it is appropriate to use the word foundation. As far as I've seen, everyone is rushing in the front line. I don't know whether my expression is accurate. If we do so, our strength will become our weakness, because everyone has no purpose and unity when working, and only knows to do their own work, which will cause a lot of work to be repeated or cannot be unified, resulting in an unstable foundation. We seem to lack a role in charge of managing people. We have military counsellor and soldiers, but we lack an intermediate role. We have many people proposing ideas, but not enough people actually implementing them, which is the problem in the front line. As far as I am concerned, the lack of a role to collect instructions from the military adviser and then convey them to the soldiers can lead to a lot of misunderstanding about the purpose of the work.” [Subject 02]

The lack of measurable goals and targets was also criticised by another subject:

“I think we need a clearer or more concentrative indicator, which is similar to KPI we mentioned before. Of course, it is not a KPI, which is equivalent

to a KPI with high reference index. However, these measures would be helpful to us, especially when a new colleague first enters the company. The new colleague can then know how much he should achieve in two months, four months, six months, or a year before he can be able to take charge of a business unit or a team independently.” [Subject 05]

In fact, the frustration was aptly summarised by one the subjects. When asked how decisions are made at UMP China, the subject simply stated:

“I think when senior management is communicating with colleagues, my personal point of view, I don't know how other colleagues think, but it should be, if you want me to do something, you should at least tell me the value and significance of doing it, rather than just leave me a program and let me follow up it. I think in this case, I won't have any motivation and will go on blindly. As time goes on, I don't know what you want us to do. I don't know why there is no feedback. Maybe it's because our middle-level leaders can't make decisions and need high-level approval from CEO, so the process is very painful.

I think the situation in UMP China now is, everyone needs to ask the CEO to decide everything. I think the boss must specify the general direction. I think this will be better. At least I can know where the focus of my work is.”

[Subject 11]

It is also worth noting that the subject who commented on the above had tendered resignation at the end of February 2022, citing that he has had enough of the lack of clear directions and focus at UMP China.

6.6.2 To implement disruptive innovation strategies, organisations must be set up independently to execute new initiatives, as predicted by Christensen

In addition to a general frustration with unclear directions, some of the subjects also expressed frustrations on the organisation and management structure. UMP China, as mentioned in Chapter 2, began as a subsidiary of UMP Group. As a subsidiary, UMP China inherited the internal management policies and organisation structure, especially in relation to definition of strategies, budget, treasury and human resources functions. It was not until the beginning of 2021 that UMP China began to establish itself as an independent organisation from UMP Group, and it was not until the end of 2021 when UMP China also became legally separated from UMP Group.

The transition of UMP China from being a subsidiary of UMP Group to become an independently managed organisation has meant that some of the policies put in place continue to follow that of an established corporations (i.e., where decisions and expense approval processes generally require multiple levels of approvals) rather than that of a start-up company (i.e., where quicker decisions could be made).

For example, it is typical in Mainland China that employees at a start-up company would be relatively less insistent on standard working hours, and hence company policies for start-up companies generally stay comparatively silent on overtime policies as compared to established corporations. However, at UMP China, the overtime policies were strictly enforced by the human resources team. Such strict enforcement was commented on by one of the subjects:

“Sometimes I feel like I'm working in a state-owned enterprise, or we are even more formalistic than a state-owned enterprise. There are many rules and regulations here, they appear be complete, but in my opinion, they are basically useless. Everyone follows the prescribed order, no matter whether the work is finished or not, all of them leave at 18:00 and 18:05. I think an employee should take the initiative to work overtime instead of waiting for the leader's notice.” [Subject 14]

Another subject also commenced on the evolution of UMP China within UMP Group:

“I think the main or deepest reason is that UMP Group management team may not be suitable for the Chinese market. Although UMP China already existed before UMP was listed, the operation mode of UMP China at that time was completely different from that of now. In fact, UMP Group management may finally ask themselves, do we really need to develop the Chinese market? If it is not important, or the market in Mainland China is not ready, and the Mainland China business is losing money, it is better for UMP Group to sell UMP China.” [Subject 16]

Some of the subjects also expressed confusion on the apparent difference in corporate cultures between UMP Group and UMP China. As UMP Group and UMP China continues to expand their respective businesses, UMP Group and UMP China started compiling different values to be followed by the respective employees. One of the subjects, who for a period of time was serving as the human resources director for both UMP Group and UMP China, pointed out her frustrations on this issue in terms of retention and recruitment of team members who work for both UMP Group and UMP China:

“I think UMP Group should have one single set of values. It shouldn't be two sets, right? Although there are some similarities, but then it's the philosophy of the entire organisation. So but you know, right now, UMP China and Hong Kong has different sets of values.....I don't think we're really practicing our values though. Sometimes we get very difficult because when we do recruiting, we talk to people about all the values that we treasure, these are the values and this is the vision that we're after, but then after they come in, they feel the environment and the culture is totally opposite. And then they actually feel that, you know, they're cheating me, you're not what you say you are. So that's why there's probably a big issue with retention.” [Subject 01]

Finally, one of the board members of UMP was asked about his on the selling of UMP China to an investment fund. The subject stated that it would be preferable for both businesses to continue to be under one group, but he also understands why the businesses are better to be separated. The subject commented:

“Well, I think ideally it would be great if UMP Group and UMP China is only one entity, but I think it's hard because the end markets are completely different. I guess what we're doing in Hong Kong and Mainland China, on the surface, it looks the same. I mean, you're still basically trying to set up the established business model we have in Hong Kong and bring it into Mainland China. But I understand the way to implement that in Mainland China is completely different. I think it is inevitable that the two businesses will need to be separated.” [Subject 09]

6.7 Summary of findings to our research questions

This chapter began by asking the subjects involved to share their thoughts on the development of UMP China. A summary of the findings to the corresponding research questions are set out below:

No.	Research question	Findings
1	The heart element: how could organisations motivate its working team to believe in disruptive growth?	Organisations must consciously communicate its vision, mission and values to its employees to generate alignment at the heart level
2	The head element: How could organisations build their differentiated competence in primary care in Mainland China under the disruptive innovation theory framework?	Organisations need to have a history of competence in primary care, need to deliberately seek government policies support and be resilient with its strategic planning under the disruptive innovation theory framework
3	The head element: How could organisations implement disruptive innovation strategies?	Organisations need to embrace the emerging strategy approach during its disruptive innovation journey
4	The hand element: How could organisations consciously develop the competences required in team members for implementing disruptive innovation strategies	Organisations need to recruit team members who have prior healthcare industry knowledge. Organisations also need to deliberate recruit and train their team members to possess both (i) the start-up mentality and (ii) the growth mindset required for implementing disruptive innovation strategies
5	The heart, head and hand integrated together: how could the 3H elements be integrated to support the implementation of	Organisations must be deliberate in frequently communicating, to its team members, the organisation's strategic plans to seek their engagement and alignment. Senior management must continuously take actions to monitor and

No.	Research question	Findings
	disruptive innovation strategies?	integrate all of the 3H elements to holistically implement disruptive innovation strategies

In chapter 7, a discussion on the above finding under the 3H and disruptive innovation frameworks shall be provided.

Chapter 7: Discussion and conclusion

7.1 Discussions and findings

A holistic management framework is one where the framework should help managers to plan and predict the outcome of the strategic planning, while also providing explanations and guidance to managers on the execution of such strategic planning and navigate the possible challenges arising from the implementation of the strategies. Such framework would also allow managers to, retrospectively, assess what might have gone wrong and provide future guidance and check points for strategy implementation.

As proposed under the 3H framework, the only way to achieve effective and efficient execution of strategies is when all 3H elements are integrated, aligned and sufficiently synthesized. Existence or sufficiency of one single H element, or overlap of only 2 of the H elements could lead to different scenarios of potential failure; only a full integration of all 3H elements would lead to an effective outcome. Our case study has broadly confirmed the above hypothesis, as more particularly described below:

7.1.1. The heart element: team members must be aligned in purpose, vision and values

Yu proposed that for an organisation to function effectively and efficiently, the team members must all understand the purpose of the Company's focus, directions and objectives. Such claim has also been well researched, where researchers have highlighted the importance of team members feeling aligned with the Company's vision, mission and values, and how organisations that want to be successful must develop its own organisational culture that is aligned with its objectives (Schein, 2010). In chapter 6,

through the semi-structured interviews conducted, it was identified that staff at UMP all found the purpose of UMP's business to have great social value and align with their personal beliefs. The subjects interviewed all have a strong belief in UMP's vision, mission and values, especially in the importance of accessible and affordable care to be delivered through primary care.

The communication of UMP's vision and purpose can be seen from the walls in the office, where the Company's vision statement is printed in various locations. Most staff's business cards also have the Company's vision statement printed on them. Selected staff have also been invited to join UMP China's recruitment committee and where they were invited to share their stories on social media of their work experience at UMP. Most team members at UMP agree that a career in healthcare service industry requires making sacrifices to help patients and others. Most recently, in light of the COVID-19 resurgence in Shenzhen, two of UMP China's staff members volunteered, at no extra remuneration, to help the Shenzhen government to provide COVID testing services for the general population. These two staff were required to go through 3 weeks of self-quarantine as a result, while also maintaining their work schedules of delivering telemedicine services to customers. These are all factors that go to show that the team members at UMP all have a strong believe in UMP's vision and mission.

7.1.2 Disruptive innovation need a set of core believers and an established organisation culture

In the actual implementation of disruptive innovation strategies, managers have to embrace failures, both in terms of funds, opportunities foregone and the choice of team members. It is important to identify a core set of managers that truly believes in the

Company's vision and values. Such core set of people will be the core in influencing other new joiners. However, managers must also accept that culture takes time to develop, and trust takes time to build among core team members (McGrath et al., 1995). This is the challenge of innovation, you want to keep bringing in new people to help innovate, but at the same time, each new joiner will take time to blend into the culture.

7.1.3 The Head Element: confidence in staying the course with the disruptive innovation strategy is required, but further business units and functional units strategies must also be formulated, integrated and adequately built

An overwhelming focus of on the disruptive innovation theory has meant that UMP had not planned sufficiently on the *hierarchy of strategies*, being corporate strategies (i.e. disruptive innovation strategy), business unit strategies (i.e. how each business units execute its part under the disruptive innovation strategy) and functional strategies (e.g. human resources strategies) that must also be aligned to ensure successful strategy execution (Evans et al., 2008). The whole process of disruptive innovation can cause significant discomfort with team members involved, as they are constantly trying new things but without a clear pathway to success. During such disruptive process, senior management needs to constantly speak and encourage the team members involved, and ideally keep generating and celebrating small wins to encourage the team that the company is on the right direction.

UMP China had suffered from a high staff turnover in late 2021 due to employee's complaints and dissatisfaction with the lack of directions from UMP's senior management team. The Head element therefore must also include further sub-planning and not just a high-level understanding and implementation of the disruptive innovation theory.

It is important to set audacious goals to motivate team members to join the mission, but breaking the big goals into actionable objectives that do not frequently change is also important. Managers must consciously address the dilemma of balancing strategy flexibility and continuity. To innovate, you need to embrace an organisation may end up being in an uncertain state, and here, embracing being uncertain and accepting a frequent change of courses means you must have 3H aligned, with each of the 3H elements adequately built and integrated together.

7.1.4 Healthcare service is a long-term business that requires long term commitment

Although disruptive innovation as a concept is broad enough to be applied generally, it has been shown that, in the context of primary care in Mainland China, not enough insights were provided by the disruptive innovation framework. Christensen also commented that healthcare services is probably the most challenging sector to be disrupted, given politics, governments and the significant influence of the incumbents to prefer and maintain the status quo (Christensen et al., 2010).

Further, it has been shown that it is very difficult for a new healthcare company (i.e., start-up) that has a short operating history to seek working with the government in the healthcare sector in Mainland China. Working closely with the Chinese government in healthcare reform is extremely important, as the government controls significant resources and dictates the policy directions. It is only through alignment with the Chinese government healthcare policies that a healthcare organisation can eventually build a sustainable business model.

7.1.5 Disruptive innovation need separate organisations and dedicated shareholders to implement

Disruptive innovation requires significant alignment of shareholders' interests and values. Christensen rightly predicted that a company's strategy, regardless of how "right" it is, must be clearly aligned with the shareholders' vision and priorities. Here, as UMP is a listed company that needs to regularly report its financial performance, it is difficult for UMP to justify that UMP China would need a long period of time to build the infrastructure (and hence incur long period of expected operational losses). The importance of alignment on strategy, time and patience is also demonstrated in the case of Amazon, which had operated on many years of operating losses but with a clear strategic focus on building the infrastructure for long term sustainable competitive advantage.

UMP has spent significant time and resources to develop its primary care business model since 2015. Yet, it was not until the start of the GOLD training programme in 2018 that UMP was able to find its footing to commence its business. The training programme was an accidental discovery, and not planned, because planning for such type of business in a market that does not exist will be challenging to gain support from UMP's existing stakeholders (i.e., shareholders of UMP). The launch of the GOLD training programme in 2018 was seen as the last attempt to create a new business model, which if it did not work, UMP would simply have concluded that the primary care business in Mainland China was not worth pursuing, and significant investments would have been made for no financial return. Managers must therefore be patient in identifying the right type of shareholders and long-term investors for developing healthcare service

businesses, especially in Mainland China, given the vastly different government policies across different regions.

If shareholders' interests were not aligned, then the pressure to deliver financial results would force companies to focus on their current business initiatives instead. In 2019-2021, due to pressure from shareholders to generate performance, UMP China adopted a pricing strategy to push for higher volume of services at the expense of reduced level of quality services, and which led to significant stress to our clinical team. In 2022, after the corporate restructuring was completed, UMP China management team immediately terminated such types of business to re-focus back on the delivery of affordable and quality healthcare services.

Healthcare as a business need more specific parameters to consider beyond just profits. A new healthcare service organisation requires long term investments in setting up infrastructures, needs significant capital, and therefore, managers must be able to explain these to the stakeholders to source the right type of capital. As shown by the disposal of the UMP China by UMP Group, it appears that listed companies may naturally find it difficult to grow new healthcare services businesses under a listed company corporate structure.

7.1.6 3H is a fluid concept - The integration of each of the 3H elements are important for effective implementation of disruptive innovation strategies

3H is a fluid and changing (dynamic) concept; in the eyes of the leaders and management, each of the 3H elements is like a barometer, and its temperature needs to be checked constantly. Staff that joins with passion may gradually grow discontented if

no progress is made. The flexibility required for the innovation strategy (i.e., the emerging strategy approach) must also be disciplined enough so that team members have defined goals to achieve; team members capabilities must also be constantly checked to ensure that they are fit for what UMP needs to do, and if not, what actions could be taken whilst not affecting the team's overall morale.

Organisations that try to build new disruptive businesses may really need to set up new units as predicted by Christensen; however, setting up new units create a new set of challenges under 3H. 3H must be constantly “looked after”, with significant communications across team members at all times; even when a staff joins with the right heart, when left unattended, the various 3H elements could gradually dis-integrate.

Sustainability of each H's sufficiency is a continuing exercise that senior management must recognise and constantly monitor. Some of the H elements are easier to maintain and longer lasting, for example, once the appropriate team structures, effective performance evaluation and compensation system are implemented. However, the softer elements under the 3H framework, such as the appropriate type of leadership required for disruptive innovation, may change as new leaders are put in place.

Senior management must also recognise that any change of leadership (whether at the highest corporate level or at the business unit level) could have substantial positive or negative effects on other elements and the effective integration of each of the H domains. The recruitment of the right leader is not just the task of the human resources department. The leader of the business is advised to be personally involved in candidate

selection, and constantly assess whether each of its business units continue to have a leader possessing the right values and competences to keep executing its strategies.

The soft elements of Heart domain, such as leadership, corporate culture, value, level of employee engagement, the hard elements of Head domain, such as organisational structure, technology, performance management and compensation systems, and finally, the Hand domain's level of competence of the workforce are all elements that must be consciously planned. Just having each of the H element present is not sufficient, each of the H element must be frequently monitored to ensure that they remain adequate to achieve a high level of synergistic integration.

Driving alignment through the use of strategy map

It appears that UMP had suffered from a lack of planning and communication of its strategies to its team members, which led to high staff turnover and dissatisfaction among its team members. Here, UMP could reference the strategy map as a useful tool to help its team members to align each of the 3H elements. The strategy map provides a good communication tool to all team members involved, as it provides a visual illustration of cause-and-effect relationships of how success in one areas / certain initiatives of the organisation (i.e. human resources development, technology infrastructure) would lead to the success of higher corporate goals, ultimately leading all team members to see how their day to day actions are relevant to the advancement of UMP's vision (Kaplan et al., 2004). The strategy map could also help team members to facilitate the measurement of progress beyond financial parameters, providing objective measurement tools for team members to have constructive communications, and thereby fostering better

collaborations in midst of the emerging strategy approach required under the disruptive innovation framework. Further, as suggested by Kaplan and Norton, the strategy map could be used as a tool to break down silos within the organisation and allow new initiatives to be implemented without disrupting existing organisation and human resources structures (Kaplan et al., 2006b).

7.2 Research significance and implications for managerial practice

A disruption of the current hospital-based healthcare system would allow hospitals to re-focus their resources on secondary and tertiary care, where it would be in their competence and strength to pursue a continuous path of sustaining innovation in terms of further improving the quality of the specialist services and their clinical research capabilities. Christensen has claimed that his theory of disruptive innovation has universal applicability to any industries. It is against such claim that this research was conducted to examine the application of such theory in the case of private primary healthcare development in Mainland China.

Due to the very nature of Christensen's claim of his theory being universally applicable, practitioners and managers could find it difficult to figure out how to get started. The 3H framework proposed that for any strategy to be effectively implemented, there must be synergistic integration of 3H from leadership down to every staff in the company. The researcher therefore also wanted to review, under the 3H framework, what had contributed to the successes and failures in how UMP China had executed its expansion strategies.

Through conducting a thorough case study of UMP and UMP China, certain practices as theorized and predicted by such theory were tested, while also identifying possible anomalies in the process that had helped to advance the development of the disruptive innovation theory. This has important implications both from an academic perspective, in terms of verifying and improving the theory of disruptive innovation. The research has also helped UMP China and other healthcare organisations in refining their managerial practices with reference to the findings in chapter 5, as well as providing practical managerial perspectives for managers on how to holistically manage disruptive innovations through the guidance provided by the 3H framework.

7.3 Research limitations

There are several limitations in this research. First, a case study of a single organisation is not representative or definitive. Second, due to time constraints, there were deliberate choices made on the subjects interviewed, as they were specifically chosen for their involvement during the initial strategic planning stages of UMP's development in order to provide a longitudinal perspective on the evolution of the emerging strategy. Since UMP China only had, on average, 50 staff, it would have been more representative to interview more subjects. Third, again due to time constraints, out of the 22 subjects interviewed, only 2 were chosen from outside of UMP. The 2 subjects chosen were employees of government organisations, and they needed to go through numerous time-consuming internal approval processes before they were able to participate in the interviews. Such approval processes further limited participation from other potential subjects, as interviewing more stakeholders outside of UMP would have

shed more insights and provide further support on the objectivity of this research. Fourth, the researcher is one of the senior management team members of both UMP and UMP China, which could potentially lead to biased observations.

Regarding the 3H framework, despite it has yielded receptive recognitions from hundreds of executives over dozens of postgraduate and executive management classes, as cautioned in the originator Eddie Yu's recent literature (Yu, 2021), the theoretical framework is still at its exploratory stage. The operationalisation of individual constructs of the framework should be prudently treated as a developmental attempt, rather than a confirmatory one. With the consistent findings from both survey and interviewing methods and the findings of this study, they help strengthen the validity and reliability of the framework's constructs and thus also help advance the development of the framework.

7.4 Directions for future research

The biggest challenge on the effective implementation of disruptive innovation strategies is the need for leaders to recognise that 3H is a fluid concept, and synergistic integration of each of the 3H elements must be sufficient. Future research could further examine the measurement on the level of 3H integration. Checklists, questionnaires and measurement tools could be developed to assist organisation in measuring these parameters, and potentially offer new quantitative or mixed method research approaches to further refine the 3H framework and in providing tools for measuring the level of effectiveness in the implementation of disruptive innovation strategies. Yu has proposed a questionnaire for measuring each of the 3H elements and the level of integration of

such 3H elements (Yu, 2022). It would be insightful to identify further case studies to test the applicability of the 3H framework with the support of such questionnaire.

Similar to what Christensen had identified in his research on applicability of disruptive innovation strategies to the healthcare system in the United States (Christensen et al., 2010), researchers could examine the applicability of the disruptive innovation strategies to other elements of the healthcare system in Mainland China. Whilst this case study had focused on primary care development, there are other areas within the Mainland China healthcare system that are worth examining, such as the public health payment system, the development of commercial health insurance, the implementation of nationwide electronic medical records and regulations of online pharmacies, all of which are relevant stakeholders that play a significant role in contributing to the sustainability and affordability of the Chinese healthcare system.

Finally, as identified in this research, any private market participants in the Chinese healthcare system must recognise the need to collaborate with the government closely. Future research could focus on private organisations applying the disruptive innovation framework by examining more closely the interests of regional governments (e.g., political motives) and NGOs in planning their strategies to achieve both (i) the objectives of regional governments and (ii) the needs of private organisations to generate financial returns for its stakeholders.

7.5 Conclusion

The Mainland China healthcare system continues to be hospital based. Patients do not trust the primary healthcare providers and have a strong preference to seek

healthcare services from public hospitals (Yip et al., 2019). This has led to significant problems on healthcare accessibility, where patients would continue to experience long waiting time to see specialist doctors but generally are only give a few minutes to see doctors.

The Chinese government is determined to develop the primary healthcare system to encourage patients to seek healthcare services in the community settings. Such reform has been fought with challenges, the key of which has been the years of under investments in primary care in terms of both the training of primary care physicians and the quality of the facilities at the primary care settings (Yip et al., 2012).

This has set off a vicious cycle, where patients generally do not trust the quality of the primary care doctors. Primary care doctors in Mainland China remain under paid as compared to doctors who work in hospitals. This is further exacerbated by a lack of career path for primary care doctors. Most doctors in Mainland China do not wish to join the primary care workforce, and those who have joined have a strong desire to leave.

The disruptive innovation framework suggests that, through a careful analysis and understanding of the difference between sustaining and disruptive innovations, coupled with the right entry strategy of targeting low end or non-consumption, new companies could very well create a new market through initially offering an inferior product or service, but later on as technology develops, such new product and services would gradually improve, until one day, such new products and services may become mainstream and displace the incumbents.

UMP China had positioned the current Mainland China hospital system as an incumbent that could be disrupted. Through initially providing training services to upgrade the quality of the primary care doctors and building public-private-partnership clinics with various regional governments, followed by the establishment of its internet hospital to facilitate access to its trained doctors, UMP China had built a strong foundation to develop an alternative for patients to seek good quality healthcare services. Patients of UMP can avoid the long queuing time in hospitals at a much more affordable cost than seeking services from other private healthcare providers in Mainland China.

While disruptions could lead to new businesses being formed and offering better services for consumers, disruption can also cause discontent with those being disrupted. However, in the case of healthcare services, a primary care service provider disrupting hospitals, in terms of diverting the day-to-day outpatient traffic to primary care centres, is of great social value. Such disruption is a win-win-win for the patients (more timely and affordable care for consultations that do not require specialists at hospitals), for the government (i.e. primary care development helps to drive Mainland China towards a more sustainable healthcare system in preparation for its ageing population) and for the sector (allows development of commercial health insurance as an alternative form of payment, thereby creating a “Mainland China” way to healthcare financing that look to avoid the affordability and accessibility issues faced by other healthcare systems globally).

This research has shown a new way for healthcare executives to re-examine their corporate strategies under the disruptive innovation framework. With the right strategic planning and thorough understanding of disruptive innovation theory, it appears that

innovations can be discovered systematically, managed holistically, and practically implemented under the 3H framework.

An eventual success of primary care disrupting the hospital-based system in Mainland China is a disruption that should be encouraged and welcomed by everyone involved. The worsening of chronic diseases such as diabetes and hypertension in Mainland China, coupled with an ageing population, is expected to place a significant burden on the affordability and sustainability of Mainland China's healthcare system for its 1.4 billion citizens. Now is the time for management executives to apply what they have learnt, to tackle the significant healthcare struggles of our society, to implement their disruptive innovations through the 3H framework, and to jointly encourage more healthcare executives to join this disruptive innovation journey to "give everyone access to trusted and affordable care, so that everyone can freely pursue their dreams without worrying about their health"⁶².

⁶² UMP's vision statement as published in its annual reports

Appendix A: list of UMP Healthcare Holdings Limited published annual reports and presentations used and reviewed

Interim/Annual Reports & Prospectus

	Document	Website
1.	Prospectus	https://www2.ump.com.hk/files/file/20200227/20200227114605_88309.pdf
2.	FY16 Interim Report	https://www2.ump.com.hk/files/file/20200313/20200313102255_35137.pdf
3.	FY16 Annual Report	https://www2.ump.com.hk/files/file/20200227/20200227114507_36161.pdf
4.	FY17 Interim Report	https://www2.ump.com.hk/files/file/20200313/20200313102608_37780.pdf
5.	FY17 Annual Report	https://www2.ump.com.hk/files/file/20200227/20200227110354_98124.pdf
6.	FY18 Interim Report	https://www2.ump.com.hk/files/file/20200313/20200313102431_33895.pdf
7.	FY18 Annual Report	https://www2.ump.com.hk/files/file/20200227/20200227110438_12196.pdf
8.	FY19 Interim Report	https://www2.ump.com.hk/files/file/20190921/20190921164341_14781.pdf
9.	FY19 Annual Report	https://www2.ump.com.hk/files/file/20200313/20200313101820_21545.pdf
10.	FY20 Interim Report	https://www2.ump.com.hk/files/file/20200327/20200327115617_75541.pdf
11.	FY20 Annual Report	https://www2.ump.com.hk/files/file/20201016/20201016191323_87217.pdf
12.	FY21 Interim Report	https://www2.ump.com.hk/files/file/20210325/20210325195429_18542.pdf
13.	FY21 Annual Report	https://www2.ump.com.hk/files/file/20211022/20211022174048_79609.pdf

Presentations

	Document	Website
1.	FY19 Annual Results and Strategy Update Presentation	https://www2.ump.com.hk/files/file/20200401/20200401100634_52384.pdf
2.	FY20 Interim Results Presentation	https://www2.ump.com.hk/files/file/20200806/20200806115003_33489.pdf
3.	FY20 Annual Results and Strategy Update Presentation	https://www2.ump.com.hk/files/file/20200925/20200925110107_27509.pdf
4.	FY21 Annual Results and Strategy Update Presentation	https://www2.ump.com.hk/files/file/20211004/20211004144748_20477.pdf
5.	Mainland China's primary care market opportunities for UMP	https://www2.ump.com.hk/files/file/20200401/20200401095736_65588.pdf
6.	Relationship between commercial health insurance and UMP	https://www2.ump.com.hk/files/file/20200401/20200401100410_93664.pdf
7.	The Greater Bay Area opportunities for UMP	https://www2.ump.com.hk/files/file/20200401/20200401095546_79947.pdf

Appendix B: Semi-structured interview questions

Heart related

1. What attracted you to join UMP?
2. What are your views on UMP's vision, mission and values?
3. How are UMP's vision, mission and values similar to, or different, to the vision, mission and values of organisations you previously worked at?
4. Why did you decide to join a new start up operations?

Head related

1. What would you describe as the strengths, weaknesses, opportunities and threats of UMP?
2. What do you understand to be UMP's core competence thus far?
3. What do you understand to be UMP's strategies for the next 5 years?
4. Mainland China is predominately a hospital-based service sector - What are your views on UMP's primary care focus / approach to reform the service sector?
5. What opportunities and challenges do you see in UMP's primary care service model?

Hand related

1. How does management team track progress and performance at UMP?
2. How is staff incentive and promotion determined here?
3. How does management allocate resources at UMP?
4. What do you think are the core skillsets that are required for your career success at UMP?

3H integrated together

1. How would you describe the management style here at UMP?
2. What do you think is missing for UMP to deliver on its future strategies? What do you see as the factors for success?

3. More broadly, what do you think are the success factors for driving innovation in the primary healthcare service sector?
4. Finally, what three areas of improvement would you suggest to UMP to make UMP better?

Appendix C: Subjects interviewed

The following individuals from within the UMP Group have provided their written consent to participate in this research but with their names removed:

No.	Role	Description	Year(s) of employment at UMP
1	Chairman and CEO of Parent Company	Chairman and CEO has been leading the Parent Company's business development and setting the Group's directions since 1990.	20+ years
2	Executive Director, UMP Group	Currently leads the radiology business for the Group and also sits on the board of directors. Actively involved in numerous acquisitions of the group	10+ years
3	Executive Director, UMP Group	In charge of the Group's financing functions and provides strategic guidance at the Group level	5+ years
4	Chief Financial Officer, UMP Group	In charge of the Group's finance functions and also serves as the Chief Financial Officer for UMP China	1+ year
5	Implementation Director, UMP Hong Kong	Previously served as the financial controller for both UMP Hong Kong and UMP China. Actively involved in the first phase of UMP China expansion strategy	10+ years

No.	Role	Description	Year(s) of employment at UMP
6	Chief Medical Officer, UMP Group	In charge of the Group's medical functions and a member of the executive committee for UMP China	5+ years
7	Chief Operating Officer, UMP China	In charge of UMP China's operations and also actively participate in UMP China's business development	4+ years
8	Director of Greater Bay Area Medical Affairs, UMP China	In charge of UMP China's medical affairs for the Greater Bay Area	3+ years
9	Director, Strategy, Co-ordination and Execution Department	In charge of implementation of UMP China's strategies	5+ years
10	Director, Human Resources	Former director in charge of both Parent Company and UMP China people's recruitment and training	1+ years
11	Director, Technology	Former director in charge of technology development	1+ years
12	Director, Medical Affairs, Greater Bay Area	In charge of UMP China's medical affairs in the Greater Bay Area and one of the founding lecturers for the GOLD training programme	4+ years

No.	Role	Description	Year(s) of employment at UMP
13	Former General Manager, UMP Beijing and UMP Shanghai	Former General Manager of UMP Beijing and UMP Shanghai	2+ years
14	Manager, Business Development	Develops insurance and health management products for sale to corporates	1+ years
15	Machine Learning Engineer	Leads on artificial intelligence effort and application in primary care	1+ years
16	Chief Nursing Officer	In charge of overseeing all of UMP China's nursing services and nurse training	1+ years
17	Senior Manager, Strategy, Coordination and Execution Department	Designs business ideas, coordinate resources and also in charge of execution of initial ideas	3+ years
18	Senior Manager, Strategy, Coordination and Execution Department	Designs business ideas, coordinate resources and also in charge of execution of initial ideas	1+ years
19	Manager, Medical Affairs	Implementing our public private partnerships models with different regional governments	1+ years

No.	Role	Description	Year(s) of employment at UMP
20	Manager, Nurse training	Nurser training lecturer and practitioner	1+ years
21	Customer A	Front line practicing doctor who was enrolled in the GOLD training programme	NA
22	Customer B	Front line practicing doctor who was enrolled in the GOLD training programme	NA

Appendix D: Research Consent Form

Consent form in relation to a dissertation to be submitted by Mr. Lee Kar Chung Felix to the University of Wales Trinity Saint David in fulfilment of the requirements for the degree of Doctor of Business Administration

Research topic: “How could managers holistically implement disruptive innovation strategy to drive growth in the primary healthcare industry in Mainland China?”

Researcher: Lee Kar Chung Felix

Email: lse.felix@gmail.com

Contact number: +852 98732782 / +86 13068419187

Introduction

You are cordially invited to take part in a research study. Before you agree to participate in this research, you should have a clear understanding of the risks involved. Your participation in this research study is entirely voluntary. Your participation in the research will be documented through you signing this consent form. Your participation or non-participation will not affect your position within your organisation in anyway whatsoever. Any views, opinion, insights and observations you provide will be kept entirely confidential and will not be reviewed by anyone else within the organisation. You are at will to choose to participate, and you can also decide to withdraw from this research project at any time. You may contact me via email or my mobile numbers at any time if you require further information about this research study.

Why is this study being done?

I am a doctoral student pursuing a doctorate degree in Business Administration at the University of Wales Trinity Saint David. Your organisation has agreed to become the site for this doctoral dissertation study. You are being invited to participate in this research as you have been identified as one of the key members in executing on your organisation's expansion strategy in the primary care business in Mainland China. The purpose of this research is to identify the factors that have led to your organisation to have achieved such success, so far, in its expansion strategy in Mainland China through the lenses of the disruptive innovation theory.

The research will be conducted on site at your organisation. You will be one of approximately 20 participants in your organisation that have been asked to participate. Former members of your organisation have also been invited.

What is involved in this study?

If you are willing to participate in this study, I shall schedule an interview with you. The interview will be conducted either in person or through video conference. At the start of the interview, I shall explain to you, in summary terms, the principles of disruptive innovation. At any time, if you have any questions, you can ask me to pause to explain the principles further. It is not a pre-requisite of the interview that you need to be fully aware of all the principles of disruptive innovation.

The whole interview will be an open interview, with the aim of inviting you to speak openly about your experience of working at your organisation. You will not be asked to provide any information or details on your individual performance.

The interview to be conducted with you will be taped subject to your consent. All the information you provide will be kept strictly confidential and anonymized. The tapes, notes and transcripts will be used strictly for this research study only and will not be released to anyone or any other organisations for any other purposes. Your identity will be coded and only myself will have access to the original assigned codes.

What are the risks of participating in this research?

There are no physical risks associated with this research. I shall make every effort to keep the content of the interview strictly confidential. To do so, all your comments, notes, tapes, transcripts and records will be coded to disguise your identity. Any information you provide will not be shared with any other member within your organisation both during and after the research is concluded. If you feel that any of the questions during the interview make you feel uncomfortable, you are at will to indicate no comment or that you do not wish to answer such questions. You may also take a break at any time during the interview. As stated above, you are at will to stop your participation in this research at any time.

Are there benefits to taking part in this research?

You will not personally derive any benefits from taking part in this research, but I shall share the research findings with you after the research is completed for your information.

What are my options?

As stated, you do not have to participate in this research if you do not want to. Even after you have decided to participate but if you later on change your mind, you can withdraw from this research at any time.

Will you pay me for participating in this research?

You will not receive any remuneration for participating in this research. Your organisation also will not receive any remuneration.

How will my privacy be protected?

You and all other participants in this research will not be named or identified. All the information you provide will be anonymized and coded. Your organisation role and title may be preserved if the research context so requires. Such disclosure in the research will be shown to you for fact checking and for confirming your willingness to such disclosure. The codes will be secured by me and will not be released to any third party. No one else in your organisation will be permitted to review or listen to the notes, tapes or transcripts of the interview conducted.

All the data you provided through your participation in this interview shall be encrypted with passwords. The passwords shall also be changed on a monthly basis. Hard copies of data will be kept in password protected cabinets that only the researcher will have access to. All data will be destroyed once the thesis is approved by the University.

The personal data and all sensitive data will be destroyed within six months after the successful completion of this dissertation.

Problems or questions

The University of Wales Trinity Saint David shall be available via email at pgresearch@uwtsd.ac.uk to answer questions you may have.

CONSENT FORM SIGNATURE

Please keep a copy of this consent form in case you want to read it again.

IF YOU AGREE TO PARTICIPATE IN THIS RESEARCH, PLEASE SIGN BELOW:

Documentation of informed consent: I understand the information stated in this consent form. I have discussed with the interviewer, Mr. Lee Kar Chung Felix, to understand about the risks of participating in this research study. I have asked further questions about participating in this research and I have obtained satisfactory answers. I also understand that I can request to see copies of notes, tapes and transcripts to which I am involved. My signature below indicates my willingness to participate in this research study and I am fully aware that I have the right to withdraw from this research at any time.

Participant's name		Date:
Participant's signature		Date:
Interviewer's name	Lee Kar Chung Felix	Date:
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