

Strategic Management

LCMB7003

Name: Beatriz Marques Rodrigues

Student Number: 1817786

Teacher: Dr. Gladius Kulothungan and Tanja Nathan

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The Conexia case study

1. Executive Summary

This report aims to analyse the strategic used by Conexia to provide the IT solutions for the healthcare industry. This report is focus to cover and analyse the industry, use SWOT analysis, also internal and external analysis to provide better information and quality data for this study. The Conexia company use some strategies to face the challenges that the company have in the present moment and the future ones.

2. Introduction

Conexia Company was founded in 1996 as part of IMPSAT a leading Argentinian Telecommunication firm and subsidiary of IMPSA. In 2003 Conexia is acquired by Navas. In the early 2000's Navas focused on the RTA market and based in Argentina. In the first five years Conexia's revenues grew by the average of 36% annully to over 2.5 million dollars. In 2010 Endeavor recognize Conexia as a network hight impact entrepreneurial company meanining the company has implement some important certificates as ISO 9001, CMMI Level 3, sold its RTA solutions as Saas Software (Software as a service). In the next year Conexia opened an office in Bogota, Colombia. In 2012, Conexia opened its US business development office in Dallas, then in Texas following MIT sloan case study analysis and then starts new business development offices in Mexico, Peru and Paraguay.

Before Conexia implemented RTA's electronic platform, payers in Argentina had operated on paper-based system which was a time-consuming process, a system which consuming a intensive work force and usually to be inefficient. After the payers started to use RTA system they report a 10% decrease in administrative costs and 5% decrease in medical costs. The RTA system improve the relationship between providers, networks and pharmacies to get new opportunities with the fast payments.

In 2016 Conexia celebrates 20 years in the market and is recognized as Great place to work prize.

In 2018 Conexia's services had a great impact over 20 million covered lives across government health, private health and workers compensations payers in the US and another countries around the world.

3. Industry Analysis

Conexia is a leading Argentinian IT services and provides solutions for the healthcare system.

The healthcare industry is one of the world's largest industry. In the U.S is the one of most largest and complex industries and that consuming 10 percent of gross domestic product and in the most of developed nation healthcare is an enormous part of the country's economy. In Argentina The healthcare system is public is maintained by the government and its accessible to every single person in the country. In the USA the healthcare system is provided by many organizations, More them 50% of the hospitals in USA is maintained by private sector. In the early 2010, Barac Obama inject nearly 50 billion dollars to incentive a modernization of the healthcare industry adoption of electronic medical records. The Global healthcare e-commerce market demand is growing and got an imports advancements in online sales of medication and the e-commerce industry. This market is looking for lucrative opportunities and operating to push the growth in the graph of the vendors operating in the global healthcare e-commerce market. The system development on healthcare could not analyze by checking for online products increase the growth and earnings in the healthcare industry. That industry is one of the most important and big in the world, and its necessary to measure the efficiency at the first. Nowadays with the corona virus crises we can see the impact of the healthcare system into our lives and into the economy, its means there's specifically treatment and analyzes into that industry and to put it on the essential place and not as a normal and common market.

A critical review of the US healthcare market shows that the product that Conexia is offering falls in an industry that is at the introduction stage. (Annabelle 2013, p. 858) says that Real-Time Adjudication (RTA) is a relatively new product in the United States' market. This is an advantage for this firm because it has the opportunity of expanding its market share very fast before competition sets in if it can convince the clients that this product is a necessity.

Economists expect total healthcare spending to increase by 5.1% in 2019, which is down from the 8.2% growth in 2018.⁷ Worldwide, the United States remains the largest pharmaceutical market, particularly in terms of drug spending. The US pharmaceutical industry will continue to be buoyed by the tax reform passed in November 2017 that helped to free up more money for investment in pharmaceutical research and development. Innovations will continue to emerge in 2019, including promising gene-editing technique products. Of note, although the United States is moving away from universal healthcare, some countries in Asia (ie, India, Oman) and Africa (eg, South Africa, Nigeria) will seek to expand their public health insurance systems.⁷ With artificial intelligence, robotics, stem cells, and other technologies in development, the world's health should continue to improve. Finally, pharmaceutical economic growth is expected to rise by 5.7% in 2019, down from 6.3% in 2018.⁷

The graphic bellow its showing us the most efficient healthcare system in the world in 2018.

Bloomberg Health Care Efficiency

Rank	Rank 1Y Ago	Chg	Economy	Efficiency Score	Life Expectancy	Relative Cost %	Absolute Cost \$
1	1	-	Hong Kong	87.3	84.3	5.7	2,222
2	2	-	Singapore	85.6	82.7	4.3	2,280
3	3	-	Spain	69.3	82.8	9.2	2,354
4	6	2	Italy	67.6	82.5	9.0	2,700
5	4	-1	S. Korea	67.4	82.0	7.4	2,013
6	7	1	Israel	67.0	82.0	7.4	2,756
7	5	-2	Japan	64.3	83.8	10.9	3,733
8	10	2	Australia	62.0	82.4	9.4	4,934
9	12	3	Taiwan	60.8	79.7	6.2	1,401
10	9	-1	U.A.E.	59.7	77.1	3.5	1,402
11	20	9	Norway	58.9	82.3	10.0	7,464
12	14	2	Switzerland	58.4	82.9	12.1	9,818
13	-	-	Ireland	58.2	81.5	7.8	4,757
14	13	-1	Greece	56.0	81.0	8.4	1,505
15	-	-	New Zealand	55.6	81.5	9.3	3,554
16	16	-	Canada	55.5	82.1	10.4	4,508
16	15	-1	France	55.5	82.3	11.1	4,026
18	26	8	Portugal	55.4	81.1	9.0	1,722
19	24	5	Finland	54.7	81.5	9.4	4,005
20	19	-1	China	54.6	76.1	5.3	426
20	17	-3	Mexico	54.6	76.9	5.9	535

Bloomberg 

Internacional models of health systems financing

- **Beveridge model**

This financial model of healthcare finance is provide by a central government. The system was initially proposed in 1942 by a social reformer William Beveridge after the World War II. This model has been used in many countries including the United Kingdom, Cuba and New Zeland. This system provides all the healthcare services financed by the government and the single payer system is financed through national taxation. The government usually to administrate clinics and hospitals. The countries which utilize this model believes that healthcare is a fundamental human right and the government should cover all the citizens. That Beveridge model usually have a low cost per capita compared to other models.

- **Bismarck model**

This financial model system , insurance is mandated by the government and is typically sold on a non-profit basis. Usually, companies and employees got

deduction through the payroll. This model was created by a Prussian Chancellor named Otto von Bismarck in 1883. That system basically consist to provide healthcare to all working citizens this means that most insurance claims are reimbursed without challenge. This model of Bismarck system is implemented in Germany and its possible to find a similar system in France, Belgium and Japan.

- **Nacional health insurance model**

This model is a mix elements of Beveridge model and Bismarck model. This model keeps private providers but the payment comes straight away from the government. This model has more flexibility than the Beveridge and Bismarck model and it can promote an effective practices from both systems. This system basically gives a choice for the citizen choose between a public insurance and private insurance plans. The government insurance programs can provide lower prices for certain services and medication. This model can be founded in Canada, Taiwan and South Korea.

- **Out-of-pocket model**

In countries with high level of poverty and instability in the government the healthcare system are covered by the individuals, they usually pay by their own and the payment methods vary from physical currency to trade goods and services. Some part of the population, especially vulnerable people who don't have enough money to pay the treatment usually to get sick or die without any support from the government.

- **Inefficiencies**

It's clearly that in the countries where the insurance is not mandatory, there is a huge disadvantage especially for the ones who cannot afford a private healthcare plans. The UK national health system creates excellent plans to universal cover the ones who suffer from large lag times for a treatment. Therefore most of the countries which provides a healthcare to the population has a better results and organization.

4. Defining the Key Success Factors

The key success factor for Conexia it was the beginning RTA market in the United States, In fact many competitors that provides several subset of RTA solutions to U.S payers. The Conexia and the competitors collaborate with each other to make the market grow and developed a system which is capable to face the issues and solve the major problems in the market. these competitors implemented a large system integrators (SI), healthcare financials-focused IT companies and RTA focused start-ups.

5. Internal Analysis

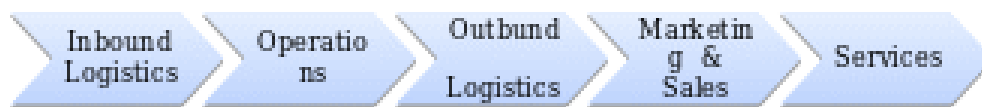
- **Financial and Business Analyses**

The Conexia company gross profit 84% in 2007 and continue to grow even in the middle of the economic crises that affected various sectors in 2008. The

health sector was one of the sectors of the economy that were affected by this recession, However, Kline (2010, p. 45) notes that the United States has since regained positive growth and the purchasing power of its citizens has also increased within the past six years.

The health sector has also enjoyed a period of growth and development following various policy changes that are focused on improving the quality of healthcare services. The world's leading economy has given serious attention to the healthcare center in terms of direct government funding in order to make medical services accessible to all.

- **Value Chain Analysis**



Source (Abinash & Gupta 2005, p. 25)

Conexia is a provider of software solutions and hardware systems in terms of databases for its clients that make the communication between the health insurance provider and the healthcare provider happen in real time. The software is developed and maintained by the employees of the company. The company order the hardware, after that its necessary a the clients request a installation, at this time specifically the inbound logistics receive the hardware from vendors. After that, the next stage is the operations to install the clients system in their offices. The outbound logistics involves replacement of the old databases or hardware for the new one. Following the process in the value chain, at this time it's necessary to focus on marketing, to give a value to the products that the company have made. The team will create new strategies to give more value to the product.

Offering maintenance services is part of the value chain. It helps ensure that the clients are happy after making their purchases. Eliminating post-purchase dissonance is one of the best ways of maintaining a pool of loyal customers in the market (Awasthy & Gupta 2004, 291).

- **Resources and Competence Analysis**

Conexia is one of the largest providers of RTA in Argentina and also the business launched in America in the last few years. Conexia products can be considerate complementary by the healthcare system. Ingenious Med is a brand that is popular in

United States transfer the paper records to electronic system in the healthcare sector, that fact and the resources made Ingenious a great partner with Conexia. They have a strategic offices locations in US and the right contacts that would to provide to Conexia important network and put Conexia in a good position to acquire a direct market entry into this healthcare market.

Its capacity to manage its own operations is impressive based on its financial resources. A partnership with this firm will offer it a rare opportunity to enter this market on a strong footing, without having to struggle with the common problems when setting up new offices in a foreign country (Biswas, Srivastava & Giri 2007, p. 34).

"Resources of an organisation can take place as both tangible as well as intangible. Tangible resources are resources that are physical can be observed and quantified Tangible resources of eBay (after separation from paypal in 2015), include its financial assets of \$19,61 billion at the end of first quarter of year 2016."(ebay inc, 2015).

Conexia made a strategic partnership to make a possible entry inside the new market. It's necessary colligations and cooperation to make a profit for the new entrances in the market, especially, in a market where the companies takes a short time to enjoy the profits, in that situation, Conexia entry in a market that the shareholders expect profitability as soon as the company entry in the market.

According to McManus (2006, p. 132), another issue that always arise in such partnerships is how to redefine the management structure. Conexia is an independent firm with a clearly defined management structure, and so does Ingenious Med. When they come together as a unit, there might be a problem in defining the top leadership structure.

6. External Analyses

- **Porter's Five Forces Analysis**

Porter's five forces is a tool which aims to help analyzing the external competitive environment of organizations (Porter, 2008). To analyze the United States Healthcare system and IT System.

Threat of new entrants

The healthcare industry provide a high barrier to the new entrants with unique characteristics in the public healthcare sector especially. The most barriers is created by the government and public policy. The private healthcare sector according to the major barrier to entry. Conexia has also a complex barrier with the IT healthcare market and problems to face as threat of substitutes, United States investing so much in technology especially in the healthcare sector and that increase the level of completion especially to a new entrants to grow.

The Competitive Rivalry

The competitive rivalry in that Industry is high, there's another companies which offer eletronic heath products and that products are a perfect substitutes for Conexia.

Conexia has a challenge maintain the innovation of the product and the capacity to offer new technologies and new sources and also have to deal with the competitors to stay in the America market.

Conducting a competitor analysis will also be important when conducting an environmental audit. This firm will have to deal with a number of competitors that offer similar products. One of the top brands that offer online medical software solutions is e-Clinic Works (Williams 2007, p. 46).

Bargaining power of customers

This firm may have to deal with the strong bargaining power of its clients. Some of the large insurance providers control this industry (Bakacsi 2008, p. 83).

The medium power of bargain in this industry creates a potential to negotiate with clients as Hospitals, clinics, pharmacies and also the government. However its necessary to deal with the healthcare industry and develop a market strategies to increase the profits in that market.

Bargaining power of suppliers

The bargain of suppliers in this market is low because almost all the companies in the healthcare industry got their goods and services from a numerous suppliers. The power of bargain in this industry is negotiate and a high impact on the profitability of the hospitals. That makes an influence how the company will extract the better prices, quality in the supplier's products.

Threat of Substitute product

The treat of substitute products in this industry is high, especially in United States where grow new technologies and new competitors every day. In The healthcare sector, technology is essential, the electronic systems is potential substitutes products to the RTA. However, the Conexia is creating new deals with the competitors to work together and grow, the only way to survive in that market is collaboration with each other and creating a new opportunities.

- **Pestle Analysis**

Political Environment

The political environment is essential to give the confidence to the new entrants that want to invest in the country. Conexia opera in South and north America, in different regulations and taxations. The IT healthcare market is essential for the healthcare in the world, nowadays we can measure the important of IT healthcare system between the corona virus crises and how necessary is to the countries invest in technology nowadays.

According to MacLennan (2011, p. 90), when conducting an audit of a market, it is important to be as specific as possible. The political environment in the United States has been stable over the past decades. Under the leadership of President Barack Obama, the country has seen a number of policies developed to protect the country from external threats, especially the international terrorists.

Economical

The healthcare sector is essential in all economies around the world, health and economy is connect and this make this industry needs a especial care and attention.

The healthcare system in United States have a period of growth and development when starts to focus on improving the quality of healthcare services.

After this crisis of corona virus, the world will give another connotation to the healthcare system, some countries needs to review the policy in the sector. The countries who is facing this pandemic very well is the countries which take it serious and put the healthcare as the most important rights for a human being and making it accessible to everyone.

The health sector was one of the sectors of the economy that were affected by this recession. However, Kline (2010, p. 45) notes that the United States has since regained positive growth and the purchasing power of its citizens has also increased within the past six years.

Social environment

Conexia has a potential products which can fit all the people and introduce this to all the people who lives and consuming in one country so diversified as United States of America. Conexia use strategies of marketing to promote conscious the brand inside a diversity population.

According to Finlayson (2009, p. 28), the United States is one of the most diversified countries in the world. The products offered by Conexia may fit people of all demographical factors as long as they have insurance cover.

Technological

Conexia is a technological and innovative company that's really important for the industry; implement new models of business and improving the velocity of the process that pass from a papers to a system and helping the industry to improve the technological environment.

The United States is more technologically advanced than the home market for Conexia in Argentina. The government has been rolling plans to ensure that the paper records

are replaced by electronic health records to increase efficiency and reduce costs (Watson 2006, p. 451).

Ecological Environmental

Conexia have the responsibility with the future and global warnings. Thereupon the company invest in new technologies to provide products which will not affect the earth and which makes an positive impact into the customers life and following the image of the brand helps to create a consciousness about the global warnings in our customers.

According to Sipe and Frick (2009, p. 64), the United States' government and other non-governmental institutions have developed programmes to help reduce environmental degradation.

- **SWOT Matrix**

Strengths	Weaknesses
Innovation and quality Product	Entry barriers the USA for the foreign company
Opportunities	Threats
Implement RTA technologies overseas.	Launch the business in a new country

Strengths

Conexia is a company has an innovative and efficient product that make a huge success in its home market in Argentina. Conexia have a technologic potential to solve the problems in IT healthcare market, looking in that way Navas company looked at Conexia in the early 2000's and saw an opportunity to grow the profits in United States. Their performance growing year by year and contribute to the American healthcare market.

Weakness

Accordingly the weakness of Conexia is to face the challenges to be always innovative and also need to protected the interests of the employees. The late entry in the USA market and cost of the operations is another challenge to the company. However, Conexia has a challenge to find a potential clients for a full RTA system from a new internacional company. For minimising the the weakness Conexia invest in technologies and do deal with the competitors, minimizing the operational costs and creating a strategy to turn the weakness into a new opportunity.

Opportunities

Conexia has a great opportunity in the America market. The United States has a large population that has healthcare insurance and this is a first advantage to get into to the

US market, also the technology advanced in the country is another opportunity. Also Conexia has opportunities in Latin America to expand the business, implementing RTA technologies and launching the company in countries where development technologies are not so competitive.

Threats

The economy and the conditions of which country you are launched a business is a challenge for the company. The government rules and the taxation for example can affect directly the business and the company. The major issue for Conexia is to prove in one of the most technological developed market in the world about the company capability to cover the process and innovate.

7. Strategies to Sustain its Competitive Advantage

- **Strategic Priorities**

Early in the late 1990's Conexia saw the opportunity in the Argentina's system that operated only in paper based, then create a system to transport that old system to the technological one, RTA system provide to verify the patient's insurance in the pharmacies. The system that make the pharmacy client able to verify, claim and submission process.

A Strategic of Conexia to entry in America market was to make a partnerships with the other companies to meet the requirements of stakeholders. The company have been working together to make a better profits and ethical considerations. Also, Conexia needs a strong brand to have the confidante of the shareholders who need a profits as soon as the firm entry in the market.

In case the values of Conexia and Ingenious Med have any contradiction, then working together may pose serious challenges. Dwivedi (2002, p. 262) says that values always define how a firm operates and manages its clients and all other stakeholders. If the two firms cannot harmonize their values, then this can turn out to be a major issue that may affect their alliance.

Another implementation-led issue that may arise out of this alliance is the approach that will be used in hiring and managing the employees (Miller 2012, p. 89). Given that Conexia is getting into a new market that Ingenious Med has been operating for some time, Ingenious Med may be given the mandate of hiring new employees.

However, Conexia will also want to exercise control over these employees in order to ensure that its interests will be protected. Another big challenge in the implementation process will be how to share the costs of operations. Although this can easily be valued, the valuation process may be unacceptable to either party, making it complex to come to an agreement.

Similarly, the issue of sharing of profits may also arise (Kang & Singh 2006, p. 202). As shown in the article by As Barrett et al. (2010, p. 14), Conexia has struggled through the years and now it enjoys attractive profits in the home country. However, the firm will have to share its profits when it enters the United States' market.

- **Payment System**

In the United States all the patients' needs insurance to access the healthcare system. The RTA system provides the information from the office where is a collation with the healthcare system and then the patient receive the care. The healthcare system in America is inefficient and complicated when there's no access for all the citizens as human right. Today, we can see the collapse in the healthcare system in America with the corona virus pandemic. Health should be a right for every single human being and when health is treat just as a normal business and to make profits the system collapses one day or another.

The inefficient of the system can be observed when the system is fail and the people is charge higher them the real prices, when there's a mistake in the payment that were not cover because it's depending of the organization of the papers and administrative staff.

The RTA system provides to do the submissions claim electronically and this fact minimalizes the error in the healthcare system. It's more them necessary implement a system that could control and analyze every process and payment to guarantee the security and efficient of the process.

8. Conclusion

The American market offers a number of opportunities to Conexia explore and expand its market share. The large American population that has health insurance offers a great opportunity that this firm should take advantage of as soon as it gets into the USA market. The perception all over this study is that the market will grow in the near future and to make the profits of the company grow it needs an investment in technology to follow the tendency of the market and security to make the make the RTA system recognize but the investors and clients.

Conexia should also take advantage of the advanced technology in United States and search and promote new solution for the old problems. However, this market also has a number of threats that needs to be managed. Although It should be ready to deal with the threats of new entrants. The United States does not restrict new entry of firms, and this means that competition can get very stiff in the market (Williams 2007, p. 85). Government regulations may also affect its operations, especially on the quality of products expected. This company must be ready to deal with substitute products in this market.

When entering the US IT healthcare market, one of the best market entry modes that the firm can use is the strategic partnership approach. As Barrett et al. (2010, p. 11), observes, Conexia has a potential that can be maximised through internalisation strategies.

Bowles and Dong (1999, p. 19) say that strategic alliance helps reduce the cost of entry. It also increases the competitive advantage of the new firm in the new market. Ingenious Med is the best firm that Conexia can consider partnering with when entering the US IT healthcare market. The following are some of the justifications that make Ingenious Med the best partner for this firm.

Changes does not always come fast and is usually comes from basic developments, with continued to grow in the direction of the innovation over time. For this also the population should trust in the healthcare system. Also in the pharmaceutical market that works for many years to be mature enough for being utilized by providers and consumers. Nowadays, the governments see the real situation about the healthcare system and the importance of this to the country, to the people and to the economy.

Conexia has a quality to provide the service and technology to help the healthcare system but also need the government to provide a equality and fair system to provide the support for all the people who needs.

This aims starts in objective to analyze and understand what the healthcare system promote and developed but in nowadays situation there's no excuses to think about the progress and the care system to promote the right access to everyone who needs the healthcare system. Think about the profits only its not profitable to the earth.

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