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HKBM7015 – Change and Stability Management

Change Management (digital transformation)
to UMP Healthcare Holdings Ltd

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Introduction

Changes are unavoidable in many of organization because of the ever-changing external and internal factors that are impacting organization direction, profitability and sustainability. (Todnem, 2005). However, there are theories to change management that the organization may not be improved too much if change was constantly without appropriate benchmark the success. It may become an excuse of non-performing management to keep changing to adjust the target. (Rieley and Clarkson, 2001). In such a way, people involved in the unended meaningless cycle before they get used to routine works. This may impact stability of the operation. On the other hand, there is another argument that people can undergo continuous changes. (Luecke, 2003). Whether stability is obtained depends on how changes are performed and managed. There are two main types of change, incremental change, and radical change. Incremental change refers to small adjustments to business environment changes. Since the scope of change is relatively small, the impact on organization structure, business model, service, and operation should be minimal. On the contrary, radical change is rather a big transformation that may turn the organization upside down.

Stability would be more attainable if the organization implements incremental changes or continuous improvement while it will keep the organization's competence and promptly react to the external environment. Many corporates have undergone incremental changes for a period of time so as to boost sales. However, organizational performance might not be improved too much or even deteriorate during the period of continuous incremental changes. Strategic drift might happen whenever the organization's performance is deteriorating for a long period of time and a sudden large environmental change happened. Under this situation, the organization needs to perform a radical change to retain its financial performance.

In modern business environment, organization being influenced by a wide variety of external and internal factor. To prevent organization from being under strategic draft, it is recommended to continuous increment change to improve competence. Stability period can maintain after short burst of fundamental changes as explained in the Punctuate Equilibrium Model (Burnes, 2004). Organization could achieve sustainability or even expand through organization change management. In this report, it is going have a case study on UMP healthcare holding limited and reason for the change. Critical evaluation on whether organization change is beneficial and exception event by assessing whether stability is attainable or desirable. Recommendations on change management for UMP would be discussed.

Case Study – UMP healthcare holding limited

Company background

UMP healthcare holdings limited (stock code: 722.HK) is one of the leading medical and healthcare providers in Hong Kong. UMP has been providing corporate healthcare solutions for local and international corporations, insurance companies and brokerage firms for more than 30 years. UMP offer professional advice and customized cost-effective one-stop healthcare solutions, helping our clients to keep their healthcare expenditure within budget, while delivering satisfied and quality services to employees. UMP become a corporate healthcare solution provider and its B2B business model has increased medical visits since its establishment. (UMP website, n.d.)

Internal environment for UMP

UMP current business model has been based on business to business (B2B). The major income, around 40%, is from corporate healthcare solution service (UMP, 2020). This successful make positive net profit in recent years. However, management would like to develop on B2C market. The company would like to invest more to enhance patient journey. To strength internal capability, UMP has expanded senior management team during the year 2020/21 by on-boarding professional with significant experience and knowledge in clinic chain management, information technology, finance, legal and talent acquisition and resources. They are prepared to invest HK 50 million for clinic system digitalization and expansion projects in 2022. The board of directors of UMP strives to execute a growth strategy (UMP, 2021).

External environment for UMP

To evaluate the external environment, it would be separated into general environment and industrial environment.

For the general environment, two major key change drivers have been impacting the healthcare industry. They are COVID-19 pandemic and technological advancement factors.

Firstly, because of the COVID-19 environment factor, social distancing has been in place. The patient visit has greatly been impacted. In the past, those corporate members will visit clinics for healthcare services even though the disease is not that serious. It is because their billing for patient visits is covered by an insurance scheme or corporate plan. Customer behaviors changed during COVID-19. Patients no longer visit clinics based on the “want” but rather focus on the “need”. The patient visit has dropped 16% overall while it drops 23% in the corporate scheme business as a result. There would be the change driver UMP would

explore a new business model to diversify product and service offerings for the company's profits engine.

Secondly, the technology factor is also impacting the healthcare industry. Cloud adaption has enabled big data and real-time analytics. Besides, virtual care become a game-changer in healthcare industry. With technological advancement, the healthcare provider started to develop the telemedicine platform to enable virtual consultation. According to Twilio, the digital message and voice minutes have been drastically increasing since COVID-19 happened in the first quarter of 2020 (Twilio - State of Customer Engagement Report, 2021). Besides, the use case of teleophthalmology in rural India also revealed that digital technologies enable healthcare organizations to serve the community better and reduce costs for both healthcare and patient travel (Vial, 2019). The technology factor would be one of the external factors that UMP needs to invest in uplifting the service offerings and digitalizing the patient journey.

On the other hand, regarding industrial factors, there are 4 main areas that impacted to the healthcare industry.

1. Strategic partnership:

Insurance company focuses on claims loss ratio control (Willis Towers Watson, n.d.). The doctor fee or agreed fee for the network provider would be further negotiated. This would further affect the profit margin of the healthcare industry. It is quite a risk for UMP that depends heavily on the B2B business model.

2. New entrants

DrGo was launched by HKT (SEHK: 6823) in July 2020. This is an innovative HealthTech platform that connected a pool of doctors to provide remote virtual consultation service (HKT pioneers telemedicine in Hong Kong with HealthTech platform (DrGo, n.d.). This company initially target to serve the general public (B2C). However, the parent company HKT is also exploring B2B to partner with hospitals, clinics and universities to provide wider service not limited to virtual consultation, but also remote clinic training, and mentoring. The platform is powerful to enable big data analytics. This new entrant would impact UMP much once they have connected the wide variety of service providers.

3. Quality Healthcare Medical Service (QHMS)

QHMS was established in the year 1998. The company has then become part of Bupa, an international insurance company, since the year 2013 (QHMS, 2021). With the synergy from its parent company Bupa, QHMS has more resources and expertise to provide better service to the customer. It has been a major competitor to UMP since the 90s century.

In the year 2020, QHMS has launched a new mobile app to provide a series of new virtual initiatives. This includes e-ticketing, e-booking and in-app virtual consultation functions (Marketing Interactive, n.d.). The successful digital transformation from QHMS seems to be the push factor why UMP also wants to increase investment in digital transformation

4. Customer behaviour changes

Many customers had used video by using telehealth during appointment pre-screenings, therapy counselling and doctor visits around the world. According to the survey conducted by Zoom-Qualtrics Research 2021, over 50% of respondents who have undergone telehealth thought that they will use both in-person visits and telehealth in the future after COVID-19 (Zoom Video, n.d.). Virtual consultation is a game-changer in the healthcare industry. This business model may persist even after the COVID-19 era.

Besides, ride on experience in retail, there are raising demand for e-Shop and digital marketing. To catch the trend of customer behaviour changes, UMP is also suggested to prepare for digital marketing and provide more access points to selling the products through e-Shop.

To catch up with the customer behaviour change, some services that may not necessarily conduct face-to-face, like nutrition consultation and health consultation, may be extended to virtual consultation. The digital journey could be increased if this kind of product could be sold through e-Shop and booked conveniently online and actual consultation through a convenient mobile app.

Reason for Changes

From all external factors, COVID-19 has changed the way people think about healthcare services. Those factors are threats or opportunities depending on how the organization reacts to these changes.

Customers experienced virtual consultation because the pandemic widely spread out during 1Q 2020. This external factor revolved around healthcare industries delivering service virtually and accelerating digitalization to increase patient experience. We can see there is a new player completely based on digital health and going B2C – Dr. Go.

On the other hand, the company could not always be based on its previous B2B business model, because of shrinking traditional income sources from insurance and corporate solution due to COVID-19. The Board of Directors also embraces technology and strives to undergo a growth strategy (UMP, 2020) (UMP, 2021). All these are the key reason for changes.

It is recommended UMP develop a new business model by going B2B2C or B2C. This should be supported by digital transformation program to improve operational efficiency for growing transaction volume and to catch up with the industry's practices and market trends.

Organizational change and stability

UMP has identified Virtual Consultation as one of the game changers and launched Virtual care in the year 2020 immediately. Management has executed the Prosci Change Triangle (PCT) model. This model focuses on four aspects of a successful initiative. They are as below: (Prosci, 2021).

1. Success: To define the purpose of the project and formulate a business case to list out target project benefits
2. Leadership and Sponsors: Represent clear strategy and direction of project initiatives
3. Project Management: Represent the technical side of how the project is executed
4. Change Management. Represent the people side of how the project initiative will change

In response to rapid environmental change in the year 2020, the leadership of the initiative is from top management. They have delivered a booking platform, using Microsoft Teams for consultation (VC booking UMP, n.d.). The clear objective of the project outcome would be easily aligned. The project scope is to enable change in the way doctor consultation through a virtual conference and to extend these benefits with the existing insurance scheme. The change management involves minimal stakeholders like doctors, pharmacies and clinic operations. This kind of change is relatively small and incremental. PCT model is effective for team structure that is simple for small-scale companies like UMP and the changes are incremental. It helps the project team and the change management team to improve the key aspects of the project's success. With a clear objective of the project, the success rate is relatively high (Prosci, 2021). The company benefited from minimizing the short-term drop in clinic revenue.

However, to cope with the business model change and digital transformation, it is unavoidable to involve organizational change. In the previous session, we have discussed the internal factors, external factors and the reason for changes. The business case for the change is to develop new income sources from B2B2C or B2C and leverage digital for the improvement of the patient journey. The organization is expected to benefit from the growth strategy and fight against the stress brought in by four major external factors that potentially become a threat to the company. To avoid strategic drift happening to UMP, it is recommended modular transformation to let the company catch up with the market and accelerate its organic growth. The company can then benefit from this exception event during COVID-19.

Does organization change impact stability? During modular transformational changes, it may impact organization workflow, process, operation and system. Organization stability may be impacted for a while because of alertness and the inability to maintain a standstill. The scale of impact is expected when compared to incremental change executed by UMP before. According to Punctuate Equilibrium Model, a stability period can maintain after fundamental changes (Burnes, 2004). It is a matter of how to perform organizational change management to maximize the benefit and reduce the impact of instability that occurs during the transitional period.

Recommendations to UMP

As mentioned previously, UMP has executed PCT model in their change journey. The model is relatively simple with well-defined project objectives from leadership and project sponsor. However, for the modular transformation, it required to involve organizational upside-down changes. To facilitate change management, it is recommended UMP adopt the John Kotter model and should act immediately.

John Kotter model suggested 3 main stages and that are divided by 8 steps (Rose, K.H, n.d.).

Stage 1 – create a climate for change

1. Create a sense of urgency

This step is important to ensure the top management align with good reason for the changes. As discussed previously, COVID-19 is a threat and crisis to healthcare industry. The dropped in clinic revenue and insurance scheme business is good reason to create the sense of urgency to UMP's management team.

As the external environment currently impacted by 5th wave of COVID-19, it is good timing to arrange one day offsite among the executive member to showing recent impact on clinic revenue. This would serve as kick start meeting for the change program. Recap the external factors mentioned above which has been the threat to the company. Reinforcing digital transformation and extending current business model are the way out to the problem situation

In this offsite meeting, it is recommended to agree on the topic to form virtual team or the committee in respond to the crisis. This paves the way for step 2 to form guiding coalition.

2. Form guiding coalition

This step is to form guiding coalition. It is proposed to form a digital transformation committee a week after the offsite meeting.

Digital transformation is different from IT transformation. The scope of digital transformation would have implications beyond the organization value network instead of limited to organization process through IT transformation. Besides, business model of focal organization would be altered instead of only optimized (Vial, 2019). It is clearly not a purely technical-related change program but a business model transformation program.

To create more value for the business model, it is recommended to include the business development, marketing and IT department involved in the guiding coalition of the digital transformation committee. To break through its traditional hierarchy organization structure, the committee should consist of a mixture of experienced and new staff from these departments. This would help to enable communication more easily and influence across different levels of staff.

3. Developing the change vision

The company's current vision is to give everyone access to trusted and affordable care so that everyone can freely pursue their dreams without worrying about their health. (UMP website, n.d).

How should change bring the company into next level? If UMP developed B2B2C or even B2C business model, they could serve the customers more directly and increase the accessibility. As such, the volume of transactions is expected to increase. Technology is key enabler to transform business model, products and service (Correani et al., 2020). It also enables operations, business process to support the increase of transaction volume of the B2B2C or B2C business model.

The vision could be developed to embrace technology and develop a new business model to enable more online accessible, cost-effective quality medical service to a wider group of customers.

Stage 2 – Engaging and enabling the organization

4. Communicate the vision

Within the first month after guiding coalition is formulate and vision is defined, leaders should communicate the vision to through different channel. It could be done through townhall, employee newsletter and intranet. Besides, daily action and speech from leaders should also reflect the vision.

5. Empower for action

There should be resistance to change in every change management cycle. It is important for the guiding coalition to remove showstoppers in this step. Leaders need role model to encourage desired behaviors. It is suggested to identify high performers and empower them to suggest, identify and implement solutions to solve the issue. This may not necessarily be the boss, who may have personal agenda to stick with the existing model because of the pre-set KPI for reward.

Although B2B2C or digital transformation may be new to the company, some of the staff may have already had this kind of exposure in their previous job experience. Such people should also be given the chance to suggest how to change. For example, how the budget could be allocated for better results, such as creating a digital marketing team and set-up a brand marketing strategy. It helps engaged high performers embrace the vision

6. Create a quick win

Within one month after empowering actions, it needs results. A quick win is a way to perusal people that change is going to have benefits. As such, the guiding coalition must work together with the high performers to deliver quick results. Try to break down the change into baby steps. The change could be as simple as onboarding some mini-chatbot, a Software as a Service (SaaS) solution, with a pre-defined process flow to resolve hotline inquiries. To reduce the impact on the existing operation, it could be piloted for corporate customers. It will help the hotline team to reduce calls and see the benefits.

Once a successful case has been built out, the process could be developed later to fulfil a wider digital channel.

Stage 3 – Implement and sustain the change

7. Build on Change

As a modular transformation, changes need to be extended to whole organization such that entire business model, process, system could be involved. Ride on the success stories for the hotline team process transformation with chatbot, it is suggested to proceed with clinical application modernization by utilizing cloud first strategy. The related stakeholders should be involved in a wider group. The clinic process transformation is also a stepping-stone to increase the patient journey when moving on to B2B2C or B2C.

8. Make it part of the culture

Finally, the leader should make the change as permanent and let it be part of the culture. To achieve this, it needs to highlight the different altitude and behaviors that require to fulfill the strategy. Reward and promote team members that had successfully involved in the digital transformation program.

OKR on digital and innovation should be reflected in the appraisal system in such a way to reduce the personal agenda for the leaders to focus on business results and KPI based on B2B and traditional business processes.

Once the whole organization gets used to it as part of the culture, a continuous improvement mindset becomes the life blood of UMP. Stability could be achieved.

Conclusion

Change is unavoidable for organization because of every-changing element that affect the organization. Organization needs to react with external environment in modern business environment to retain its competitive and prevent from being opt out from the market. In this article, it shows that organization change is beneficial to UMP by extending its business model B2B2C or B2C. The external factor, e.g. COVID-19, could be a matter of threat or opportunities. It could trigger the company to evolve and undergo digital transformation to extend its business model and improve product and service offerings.

On the other hand, by providing a critical review of change management theories John Kotter's model, organizations could lead change to achieve growth strategy and sustainability. It is more easily to benchmark the success of change through the eight steps. Stability could be achieved as the organization is committed to an ongoing continuous improvement process and become more agile to change.

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