

# Develop a competitive business strategy

## Engage lab employees in a strategy for success

By Peter T. Francis

Not every commercial clinical and pathology laboratory has written a business-strategy statement. For those that have, do all employees know the strategy statement? Can they even summarize it?

Many labs, including hospital outreach programs, have a mission proudly displayed on their websites, and/or in the lab's reception area, in their patient service centers, or in their service manuals. This exists as their loftiest declaration but the least specific. Some labs post their values or philosophy (e.g., how employees are expected to behave and what it believes in). On the list may be a vision (i.e., what the lab wants to be). Possibly, a lab may acknowledge being environmentally responsible.

All of these are fine proclamations — but *articulating the strategy* should be more concrete, practical, and unique.

### Defining strategy

The term “strategy” seems almost a cliché these days — so much so that people tend not to understand the exact definition. It derives from the Greek *strategos*, with a literal translation of the noun “general.” Used initially in terms of war, *strategos* thus became “the art of the general” or the art of setting up military forces before confrontation. The military definition still applies but also extends into more widespread relevance in business and sports, for example.

Competitive strategy equates to being different. The essence of a competitive strategy boils down to activities — choosing to perform activities and/or services differently or to perform different activities and/or services than the competition. If a lab does not act on its competitive strategy, then it has nothing more than a marketing slogan.

Clinical and pathology labs that compete for business but have not established an overall strategy are missing a key element. Upper management may assume the initiative described in a mission, values, or vision dictum ensures competitive success. Management may fail to appreciate the necessity of having succinct statements that all employees can internalize and use as guiding principles for doing the right thing and making the right choices.

A platitude assertion such as “... maximize the lab's high-quality reputation by exceeding customer expectations and provide opportunities for our employees to lead fulfilling lives...” does not equate to a strategic objective. Various people (e.g., sales, technical, and frontline associates) become frustrated at times because of a lack of knowing the overall strategy. From them, we may typically hear:

- “I did not know I should avoid selling into nursing homes. No one told me otherwise.”



- “I tried to get what I thought was a good initiative off the ground, but then it got shot down by upper management because it ‘did not fit the company strategy.’ I would not have bothered if I had known that up front.”
- “I told the client we could have a courier pick up samples at his new office. I did not realize the new office's location sits outside our regular pick-up zone. Now, I have to tell the client we cannot accommodate him.”

Executive leaders may have crafted a beautiful strategy within a strategic-planning meeting, which, regrettably, sometimes languishes in a manual on a bookshelf.

### Service strategy — by department

Defining an all-encompassing strategy for a lab equates to one component; creating a *service* strategy for individual departments (e.g., couriers, phlebotomy, patient service centers) focuses on a range of territories. Executives should expect that both the all-encompassing and the individual service strategies remain clear enough that all employees can comprehend their scope and purpose.

Each customer-touch department should write down an understandable and unifying idea of what the department wants to accomplish to make itself unique in its clients' eyes. This concept of service strategy directs the attention of people in a particular department toward their clients' real priorities.

A service strategy translates into a distinctive formula for delivering service by keying itself to a well-chosen benefit premise that demonstrates value to the client and establishes an effective competitive position. In essence, it says, “This is who we are, what we do, and what we believe in.”

### Strategy elements for a lab

There are three components of a general business-strategy statement:

- Objective:** the end point and a time-frame for reaching it;
- Scope:** the domain of the business (i.e., boundaries); and
- Advantage:** what your lab will do differently (or better) than the competition.

## Defining the objective

The definition of an overall strategic objective should have a specific goal, and should be measurable and time bound. To say, “We seek to grow profitably” begs the question, what matters more — growth or profitability — and in what time frame? If a lab issues an objective to grow 12% each of the next two years, it may offer more aggressive discounts, think about hiring additional couriers, add more sales staff, implement sales training, and more. If the lab wants to prioritize profits, it will undoubtedly institute cost-cutting measures, evaluate the number of employees, and investigate productivity. The bottom line remains: A strategic objective should be an unambiguous, single-goal description that will drive the business over a specified time period.

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## Defining scope

Scope helps to focus on the who, the where, and the how. The scope says what it will primarily offer — for example, wide-based clinical testing? Genetic testing? Pathology? Toxicology? Within what geography? Just as important as defining these elements, the scope might specify where the lab will *not* go. Typically, this translates into certain pricing stratum, phlebotomy services, or billing arrangements. At its most basic level, one lab cannot be all things to all people. Defining the scope of services permits a laboratory to focus on doing what it does best.

## Defining advantage

Defining advantage stands as the most critical aspect of a strategy. Clarity about what makes a lab distinctive prevails in helping employees comprehend how they can contribute to successful execution of its strategy. Competitive advantage distills down to basic differences that demonstrate the lab’s uniqueness among its strongest competitor(s). Basic differences exist in many forms, most of which cannot be addressed here. Sales people tend to think of their lab as “me-too” because no one has taken the time (or the sales rep has not given it much thought) to point out both obvious and subtle differences. The subject transcends beyond, “We have a terrific customer-service department,” or “You can easily reach the pathologist on the phone.”

The strategic “sweet spot” of a lab sits in a place where its services meet its customers’ needs — especially in a way the competition cannot. And many client-dependent needs there may be (e.g., STAT testing, phlebotomy, patient drawing centers, hours of operation [both lab and patient service centers], result turnaround, requisition and reporting mechanisms, continuing education, normal values [e.g. pediatric vs. adult], methodologies, transport supplies, courier service, lab location, and so forth).

A careful description of the unique services and activities

a lab performs to generate a distinctive value proposition effectively captures its strategy. The goal should be to describe characterization that does not exist with its major competitor(s). Some people refer to this as the “unique selling proposition;” others refer to it as “position.” In either case, it demonstrates why a customer should prefer one lab service over several other choices. Large nationwide laboratory chains might have a value proposition that includes “multiple and convenient patient service centers, intuitive online test ordering and e-prescribing, well-trained sales and service field personnel, a plethora of insurance contracts, esoteric state-of-the-art assays — all available to medical providers throughout the United States.” The trade-offs these giant labs make — same-day turnaround, political ties, supporting the local hospital/community, testing proximity, diagnostic-imaging services — are what strategically distinguish the large laboratories from community or regional labs.

## Who should devise these strategies?

Strategy generation should not be regarded as a trivial task or a quick assignment. The best method involves several people working on the construction of a general statement — the committee should represent a number of participating lab departments. Department personnel should craft their own individual lab-function strategy (e.g., couriers, sales, phlebotomy). Those in the top lab-leadership positions (e.g., lab director, medical director, president or CEO) should assume final responsibility about what gets voiced in the marketplace and, therefore, emerge as the *de facto* “chief marketing officer.” Consequently, their involvement and input becomes critical. The exact wording of a strategy statement should be thoroughly discussed because, in the end, a single word could make a large difference in interpretation. Lab leaders should not — and cannot — assume that the “right strategy” is known and fully understood by all employees.

## Putting it all together

The first step requires careful evaluation of the industry landscape in a laboratory’s geographic area and then identification of unique ways of creating value. In addition, an analysis of the competition and their current strategies should be made. It remains important to perform an objective assessment of a lab’s capabilities and resources, as well as those of the competition.

A *hospital* that has an outreach program in place might have an overall lab strategy that may say something like: To grow testing 10% each year through 2012 by providing a rapid and quality testing service 24/7 to healthcare providers and other community hospitals within a 50-mile radius. Routine tests will be processed and analyzed immediately. Patient drawing centers will be operational within the hospital’s regional clinics, including those offering diagnostic-imaging services. The lab will offer routine scheduled phlebotomy services to area nursing homes during weekdays. The hospital will not offer unscheduled phlebotomy services.

A *local pathology laboratory* might say something like: To grow testing volume 10% each year through 2013 by providing 1) quality written reports within 24 hours of receipt for routine cases, 2) reliable and timely pick-up service, and 3) easy client-

to-pathologist accessibility. Company couriers are available within the tri-county area, and a national delivery service will be used for far-reaching clients. All positive cancer reports contain a photomicrograph. The company maintains a broad range of health-insurance contracts, as there will be no client billing. TC/PC arrangements will be accepted only in situations

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involving third-party billing.

A courier department may devise a service strategy that might identify its strategy in this manner:

Our courier department, the transport mechanism for the laboratory, not only provides Monday through Saturday specimen pick-up and supply/report drop-off service but also:

- maintains a well-groomed appearance and wears clean, lab-supplied uniforms;
- drives clean, well-maintained vehicles that contain dry ice and cold-pack coolers for specimen integrity;
- is friendly, professional, and demonstrates respect to clients;
- strives for on-time daily customer stops and immediately updates route sheets when applicable;
- follows the company’s “rules of the road” manual explic-

itly; and

- handles specimens with the utmost care.

### Conclusion

The most powerful and important aspect of developing a company and/or department strategy exists in the initial discussion by numerous individuals — avoid having one person assigned to create a strategy. Seek input from a variety of staff — including the top executive — to align objectives, which, in turn, radiates consensus throughout the organization. In addition to an overall strategy, individual customer-touch departments should compose their own service sub-strategies to explain what their group believes in, and how they differentiate their particular department from that of their competitors.

The common practice of broadcasting a mission or similar proclamation is insufficient when trying to compete effectively in today’s highly rivaled laboratory marketplace. All employees need to understand the lab’s business strategy as well as their individual department’s related strategy. Everyone should be able to articulate the objective, the scope, and key distinctive competitive elements their laboratory demonstrates in contrast to its primary competitors. □

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