



# What's Your Lab's Strategy?

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Commercial and hospital outreach labs all compete, primarily, in a zero-sum business game. When a laboratory loses a customer, a competitor lab happily adds one. Winning—it's the heart of having a successful business. Great organizations, whether it be a company or not-for-profit, choose to win rather than simply “play.” In my experience, however, I have come across some labs that simply participate in their market and take on new customers in a coincidental and seemingly serendipity fashion (“*clients gravitate to us because of our professional staff and reputation*”). But, most labs assiduously vie in their geography to strengthen and grow their company. They know that winning matters, and it requires effective sales representation *and* a solid, yet flexible, strategy—governed by the starting point, not the endpoint.

## **What Strategy Is and Isn't**

Strategy can seem mystical and mysterious, but it isn't. I like to define strategy simply as the *art of creating power*. Moving further down the lane, it pertains to a lab's movement from its present position to a desirable future point. And taking it one step further, strategy's *raison d'être* is to maximize the value of what your lab offers—the capabilities that *distinguish* your lab from your competitors in a manner that clients want and appreciate. There are bifurcated components that make strategy work: (1) analytical and (2) behavioral (more on this later). It all begins with making and communicating some basic choices.

Strategy remains the best word we have for expressing attempts to think about actions in advance, to look up from the short term (and the trivial) so we can view the long-term and see the woods rather than just the trees. Strategy is more than just a plan because a plan supposes a sequence of events that allows one to move (with confidence) from one thing to another. But, a business strategy is essential when competitors frustrate your plans because of their opposing ideas and interests. So, given that a strategy is not a simple plan, it's also not a mission, nor a vision—nor a sententious decree about company values.

When you break down the concept of what business is, it relates primarily to *customer value*. Laboratories target certain customer specialties and tailor their sales and marketing activities to serve those groups better or differently than others. Lab sales reps and clients, alike, may feel that a lab is just a lab—it provides the same services as the next competitor: transport the specimen to the lab, test it, return the results within a competitive timeframe and bill for it.

But, as those of us in the industry know, the moving pieces extend far beyond this laconic description!

### **Strategy Equates to Choice**

Strategy distills into five integrated cascade of choices (the “analytical” portion):

1. *What is our winning aspiration?* In other words, what is our purpose—our motivating inspiration?
2. *Where will we play in the opportunity spaces available to our lab?* This section will delineate:
  - Physician specialties
  - Skilled and long-term care homes
  - Hospital/other local commercial labs
  - Home health care support
  - Client and/or (primarily) third-party billing
  - Market geography
3. *How will we win?* Winning means achieving above average value-delivery to customers. This also means where do we need to be just adequate enough and not necessarily the very best. How will we win equates to competitive *advantage* facets within a strategy, and they involve *no* as well as *yes*. Some advantages are more important and, therefore, need to be resourced more than others.
4. *What capabilities must be in place in order to win?* This transcends numerous components and will expend significant space in your document. Besides the individual lab departments and Lab Information System (LIS), examples include:
  - Phlebotomy/patient service centers
  - Client services
  - Logistics
  - IT functions (internal reports, on-line test requests, EMR interfaces, auto-faxing, lab portal, LIS report file drop, etc.)
  - Test menu
  - STAT test menu
  - Reference lab
  - Compliance training
  - Client service protocols
  - Billing protocols (including in/out network insurances)
  - Specimen transport supplies
  - Sales/service representation (including auto policy, laptop, cell phone)
  - Marketing literature
5. *What management systems are required?* These are the systems that foster and measure the strategy. They develop and keep relevant the information and capabilities needed for strategy execution. For example:
  - Will-Calls for ad hoc courier pickup
  - Tracking test turnaround time outliers
  - Client relationship management (CRM) for Client Services
  - Accounting system
  - Phone test add-ons and physician signatures
  - Courier routing optimization; client pick-up documentation

- A monitoring procedure to identify issues with EMR report transmissions
- Tracking supply volumes provided to each client
- CRM tool to measure daily sales call numbers and activities

This is certainly not a complete list—simply suggestions.

### **Choice Cascade Dos**

1. Do remember that strategy is about choices geared to *winning* and relating the lab to its competitive environment. Choose carefully what you will and will not do.
2. Do spend time answering each of the five choices. It's easy to define two or three components—but all five questions need to be carefully considered.
3. Do think of strategy as an iterative process. As you uncover certain insights at one stage, you may need to revisit previous choices.
4. Do understand that individual departments may create their own strategy, but everyone must be in concert with the global strategy.

### **Articulating Strategy**

Because strategy choices play out at multiple levels, they ultimately determine what is and is not a priority (e.g., opportunity and/or threat). This is where the “behavioral” portion of strategy comes to light. It is very important to translate the broad range of concepts into statements that people in sales, client services, couriers and other lab functions understand and use.

Unfortunately, some companies—including laboratories—do not always communicate the priorities to the front line—and it is here where strategy execution evaporates. *All* employees require information to understand the strategic (and possible bottom line) impact of their daily choices. Communicating strategic identity is the first step that can play an important role in a successful business.

It's not necessary to chart out “strategy maps” for all employees. However, a coherent strategy statement should specify—concentrated and straight-forward—three components, which can easily be digested by all employees:

1. **Objectives** - indicates the ends that strategy hopes to achieve; i.e., the primary goals that will motivate behavior and resource allocations in the lab. Examples can be profitability, market share, turnaround time, responsiveness, professional attitude, etc. Objectives can be quantitative and/or qualitative.
2. **Scope** - this is the “where-to-play” element of strategy. As a side comment (and coming from a former salesperson), the where-to-play decision should not be delegated to the sales department. Salespeople may lack the frame of reference and (possibly) overall business acumen needed to make good scope decisions. Additionally, their attempts to build relationships and gain business because of incentive plans predispose them to say “yes” to almost any expressed customer need. This is not to say that salespeople shouldn't make suggestions to upper management—and support their ideas with financial justification. But, lab administration needs to set the initial criteria and be subsequently open-minded about broadening the scope after considering the entire strategic cascade.

- 3. Advantages** - this pertains to what the lab does differently (or better) than other area competitors. Advantage is about the means you rely on to *win* and the value proposition to external customers. Advantage also relates to *internal* activities that support the external value proposition. Each department supervisor should be asked the basic question, “*What do you think makes your department different from other competitors with whom we compete?*” In fact, as a side comment, it would be prudent for each department to create their own written mantra that says “This is who we are, this is what we believe in and this is what makes us different.” The point is, every lab is not created equal—and managers and supervisors put their own stamp on their respective departments. It's true that not all differences and advantages may be important to every client; but, it is this *knowledge* that salespeople must have in order to avoid the common impression (by sales reps *and* clients) that all laboratories are simple commodities.

The value of the objectives, scope, advantages approach is that it allows employees, especially sales people, to understand management’s key choices. In turn, this—in conjunction with good sales training and coaching—should facilitate effective selling. And effective selling translates to *winning*. The underpinning is strategy articulation and communication. If you can't say it—clearly and concisely—then employees will have trouble understanding and executing it—efficiently and effectively.

### **Summary**

Important strategic choices cascade throughout a laboratory. Senior management should create a document that answers each of the five previous questions.

Once this has been detailed in writing, it remains important to disseminate the basics to all employees so they are all beating to the same drum. A useful way to accomplish this is through a coherent strategy statement that specifies three components: (1) objectives, (2) scope and (3) advantages.

Commercial and hospital outreach labs should be in business to *win*. It all starts with a definition of what winning looks like. To “participate” in your market attributes to mediocrity—and it’s self-defeating. With no clear strategic direction of where-to-play and how-to-win choices that associate with the aspiration, a vision is frustrating and, frankly, unfulfilling for employees. Articulate it plainly with concision for everybody. With a carefully prepared and designed strategy, you will be on your way to *winning* in the zero-sum game!

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