

## **DERIVING A STRATEGY MAP TO HELP MEDIJARING ACHIEVE ITS VISION OF BECOMING THE PREMIER THIRD PARTY ADMINISTRATOR IN MALAYSIA**

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### **-Abstract-**

A strategy map is an important tool in strategic management which could be used to guide an organization in carrying out its mission and achieving its vision. However, it is more often used in large organizations compared to medium and small sized enterprises. This paper reports the derivation of a strategy map for a third party administrator in the healthcare industry to encourage it to adopt the balanced score card and the strategy map in crafting its strategic direction. The proposed strategy map is derived based on data obtained from interviews with the chief executive officer of Medijaring Sendirian Berhad (MJSB), secondary data about MJSB and suggestions of a focus group. It is recommended that MJSB consider using the strategy map as a tool to determine its strategic direction.

**Key words:** *Strategy Map, Business Process Outsourcing, Online Solutions Provider*

**JEL Classification:** M19

### **1. INTRODUCTION**

This paper describes an initiative to initiate the adoption of the strategy map by an online solution provider, Medijaring Sendirian Berhad (henceforth referred to as MJSB). The data used to derive the strategy map is obtained through interviews with the CEO of MJSB and also through secondary data. Based on the data gathered, a SWOT analysis is done. Then a focus group consisting of 43 members are asked to comment on a draft of the strategy map proposed. The final strategy map is determined based on the consensus obtained during the discussion of the focus group. The findings obtained from the interview, the secondary data and the SWOT analysis is next presented in the form of a case study, according to the format used by Kaplan and Norton (2004).

## **2. LITERATURE**

The strategy map and balanced scorecard have increased in use and are often considered effective communication and strategic tools in aligning and integrating the strategic goals of various levels within various sectors (Chan, 2009). In the healthcare sector, various innovative approaches have been adopted by healthcare organizations to implement the strategy map and balanced scorecard. The Balanced Scorecard (BSC) is a handy methodology to solve challenges in balancing the strategy with its execution and is suitable for managing business strategy as it provides a balance between certain relatively opposing forces in strategy, aligns strategic goals with objectives, targets and metrics, and is cascaded to all levels of the organization that is, in short BSC takes strategy from theory to action (Nair, 2004). The founders of the approach, Robert Kaplan and David Norton (2004), states four perspectives that can guide companies as they translate strategy into actionable terms, though they suggest that organizations can add any perspectives that are more relevant. The four perspectives are the financial perspective, the customer perspective, the internal process perspective and the learning and growth perspective (Kaplan and Norton, 2004). These perspectives as explained in Kaplan and Norton (2004) are summarized as follows:

The financial perspective looks at what the financial targets are, what drives these targets, the types of profit and revenue to achieve and for a nonprofit organization, what budgets guide it. There are two basic approaches to improve financial performance which are revenue growth and productivity. The customer perspective covers the issues of how to enhance customer satisfaction, retention and growth. Here, choosing the customer value proposition is the most crucial. The internal process perspective identifies which processes can help an organization to best win customers and what internal activities are needed to sustain competencies. Lastly, the learning and growth perspective seeks answers on questions such as what must an organization need to be great at and how does it train its people to get up to that level, what organizational climate and culture can nurture growth and how can an organization develop and train its people to achieve other objectives.

## **3. FINDINGS**

From the interview with the CEO, information gathered from secondary sources of data, and suggestions from the members of the focus group the findings of this study is woven into a case study and the conclusion is presented in the form of a strategy map.

### **3.1 The Case Study**

The case study is presented based on the framework of case studies used by Kaplan and Norton (2004) which consists of four subsections which are the background, the situation, the strategy and the strategy map.

#### **3.1.1 Background**

Medijaring Sdn Bhd was established in March 2001. It describes itself as an established online healthcare solutions provider registered as a Third Party Medical Benefits Administrator with the Ministry of Health Malaysia. Its establishment is the brainchild of its founding CEO, Mr. Nizam Mustapha Kamal. At the time, in response to the government's call for local participation in its massive MSC project, Mr. Nizam decided to use information technology to solve some common business problems. He is guided by his personal work motto, "Empowering technology to create solutions". Banking on his experience in software development specializing in hospital and clinic systems, he zeroed in on the healthcare industry. Using self-taught skills in some computer languages namely Visual Basic, ASP, Flash (Action Script), and databases like SQL and .net, he developed the solution to handle the processing of medical claims. In this respect MJSB falls under the category of industrialized world-based healthcare providers which offers off-shoring low-end healthcare services such as medical transcription, billing and insurance claims mainly to take advantage of the cost-saving potential and addressing shortages of healthcare professionals (Kshetri, 2011).

Initial efforts to sell the solution as an upstream product proved unsuccessful. Strong conviction in the solution and a determination to break into the IT market helped Mr. Nizam launch the solution as a downstream product. Thus, at that point, MJSB became an organization involved in business process outsourcing (BPO). Outsourcing is the act of transferring certain recurring activities in an organizations to an external party, and now mostly involves information technology or business process outsourcing (Monczka et. al, 2005). Business process outsourcing generally features a third party which manages business processes such as accounting, procurement or human resources – a long-term contracting of a firm's non-core business process to an external service provider (Kshetri, 2011 and Ghodeswar and Vaidyanathan, 2008). Brown and Wilson (2005) identified three levels of outsourcing which are tactical, strategic and transformational; while Ghodeswar and Vaidyanathan (2008) classified drivers of outsourcing into four categories namely organizational drivers, improvement drivers, financial and cost drivers, and revenue drivers.

Eleven years down the road, MJSB has grown from strength to strength and with a workforce of 160 people, is currently one of the top five third party medical benefits administrators in Malaysia. Its major competitors in staff benefit administration include ING, PMCare, Mediexpress and Metronics. As an application service provider, MJSB, focuses on two main business areas which are business process outsourcing (BPO) to manage five product lines; and development of online solutions. The five online solutions are (1) TPA System - an online system for third party administration (TPA) which is developed and designed for the internal use by MJSB staff; (2) Panel Clinic System - an online system for panel clinics registered with MJSB; (3) Panel Hospital System -an online system for MJSB panel hospital; (4) Medical Benefits Administration System - an online system which serves as an interface for MJSB's clients and for the human resources department of its clients; and (5) Medical Scheme Administration System -an online system for MJSB insurance panels and for scheme administrator of its insurance panels.

### **3.1.2 The Situation**

Initially, Mr. Nizam had set up the company with the intention of developing a strong company and selling it at the 'right time and price' as an exit strategy. However, after a decade of steady growth, Mr. Nizam has developed both the confidence in and appreciation of the strength and sustainability of MJSB. As an innovator and entrepreneur, Mr. Nizam had developed the organization without well-articulated strategy and had relied strongly on his personal business acumen and self-taught programming skills. Fueled by a strong desire to further strengthen his company, Mr. Nizam felt it is now time to craft a strategy to ensure continuous organisational success. Having succeed without a written strategy, Mr. Nizam is skeptical about '*off the shelf*' strategies crafted by academia and has thus far only invested in the Seven Habits of Highly Effective People. This consultation is an initiation for Mr. Nizam in the Balanced Scorecard and strategy map and the recommendations of the mini focus group is presented to Mr. Nizam in the form of a strategy map for his further consideration.

### **3.1.3 The Strategy**

The strategy for MJSB to pursue must be align to its vision and mission. MJSB's visions are to be recognized as the premier third party administrator and to be considered a very desirable employer. Its mission is to provide an efficient and effective medical benefit administration to companies in Malaysia. To do this, MJSB

exists to provide their clients with a service which is superior to its competitors while maintaining the lowest possible cost.

A SWOT analysis would also be useful for MJSB to determine its strategy. The SWOT analysis for MJSB based on the interview is portrayed in the following table.

**Table 1 : SWOT Analysis of MJSB**

<b>Strengths</b>	<b>Weaknesses</b>
Versatile, Innovative & dynamic organization. CEO –strong technical competence and impressive business acumen Relatively long experience in the industry,	High dependency on founder, owner and CEO. No stated succession plan Relatively young workforce
<b>Opportunities</b>	<b>Threats</b>
Booming outsourcing opportunities. Thriving local healthcare industry. Internationalization of Malaysian healthcare industry	Entry of new industry players. Decreasing price of technology – lowering entry barriers. Global competitors. Slow payment process by panels.

From the interview with the CEO of MJSB, it is established that an efficient front end process and a powerful data mining capability are the critical success factors for MJSB. In fact information and management of information are the most critical element for MJSB business model. As a BPO, MJSB’s revenue is derived from its processing of information. MJSB’s aim is be *the linker* and *the platform*. As it is a derivative system which uses off the shelf software, MJSB’s strength lies in the quality of the service. The CEO feels that there is no need to patent its system as according to him, the value lies in the service. Everyone has access to ICT hardware and software and thus differentiation and innovation come from how one uses these enabling tools for. Thus, the cost leadership strategy is proposed for MJSB.

The CEO feels that MJSB staff’s awareness of the need to provide speedy and accurate information is crucial. As a BPO which acts as an intermediary for data processing and approval for claims, customers’ satisfaction is closely tied to the speed of the company to process requests from various parties. This concern relates to the learning and growth perspective and spells the need to train and enhance the skills of MJSB’s human talent.

MJSB’s revenue comes from the processing fees they charge for managing transactions among various parties in the healthcare industry to process request for medical treatment by patients to the insuring companies. At present there is still much room to improve efficiencies using the current ICT and human resource – thus MJSB is keen to pursue the strategy of processing more claims through improving human efficiency. Staff welfare is considered a key factor to ensure job satisfaction among the staff of MJSB.

As a medium size company MJSB might not be able to pursue integration strategies rigorously. However, as it derives its revenue from processing fees of the billing transactions, they need a big customer base to ensure financial growth. Therefore, joint venture strategy may be an option to consider.

**4. CONCLUSION - THE STRATEGY MAP**

Based on the information gathered through both primary and secondary data, and the SWOT analysis, the focus group proposed the following strategy map for MJSB.

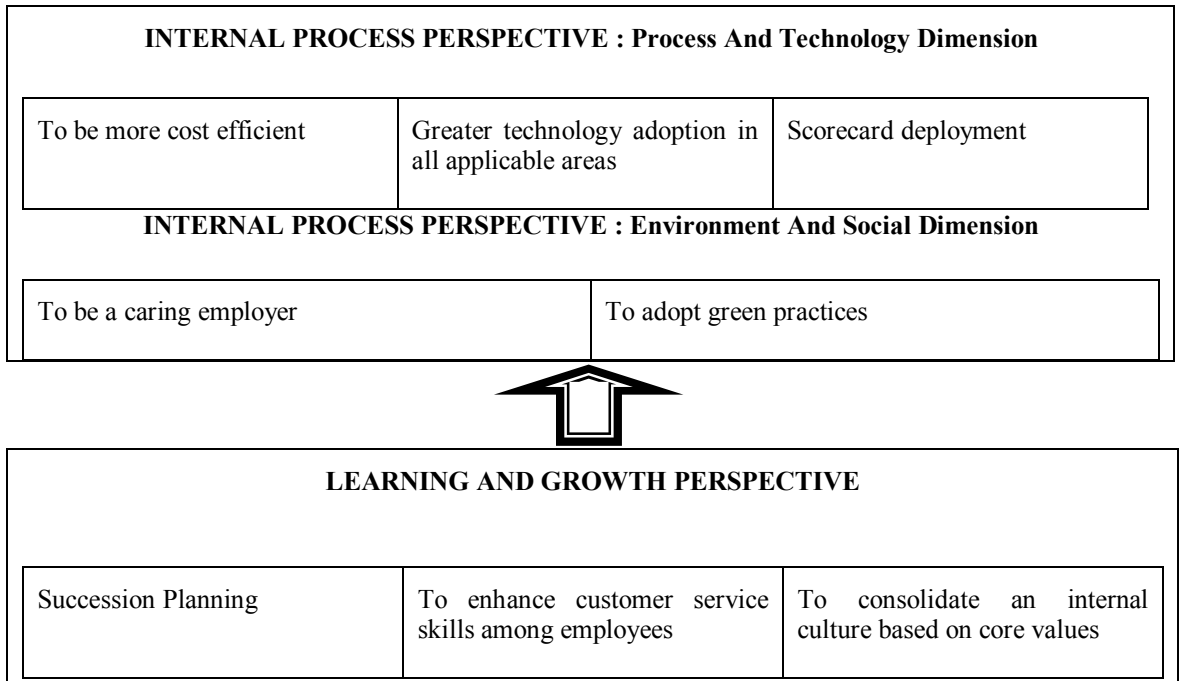
<b>MJSB’s MISSION</b>	
To provide superior service compared to competitors	To provide an efficient and effective medical benefit administration.
To achieve lowest possible cost.	To improve service its human talent.



<b>FINANCIAL PERSPECTIVE</b>	
Profit growth of 20% per annum	Improve operating efficiency

<b>CUSTOMER PERSPECTIVE : “To provide clients with a superior service at the lowest possible cost”</b>		
Improve leverage on information and ICT for speedy delivery.	Customer satisfaction	More empathy towards customers





**Figure 1: MJSB’s Sustainable Growth Strategy Map**

MJSB’s strategy map shows the ‘sustainable growth’ objectives and the strategy it needs to follow to achieve the results. The top of the map shows MJSB’s commitment to sustainable growth which are articulated in its mission statements and rephrased as follows:

- To provide an efficient and effective medical benefit administration.
- To provide clients with a service superior to MJSB’s competitors
- To achieve lowest possible cost.
- To improve service through concerted effort of experienced, knowledgeable and dedicated personnel.

From these statements it is gathered that MJSB’s sustained growth would be derived from the improvement of its services through the efforts of MJSB’s experienced, knowledgeable and dedicated personnel. This improvement (continuous it must be) would result in superior service compared to its competitors and this ‘superior service’ refers to efficiency, effectiveness and lowest cost.

The financial dimension has an objective of profit growth of 20% per annum, despite the current economic situation. The CEO feels that MJSB is cushioned from the current economic crisis as their service is in the healthcare sector and demand is relatively stable. MJSB also thinks it is imperative for them to pursue cost leadership strategy as it will translate into better value for customers.

Three strategies are suggested for the customer dimension which are speedy delivery, increasing empathy as a feature in its customer service and increasing customer satisfaction. MJSB stresses that speed in handling information is crucial to its level of competitiveness.

Two dimensions are proposed under the internal process perspective – the process and technology dimension, and the environmental and social dimension. The process and technology dimension emphasizes continuous improvements in maintenance of technology adoption in all applicable areas, deployment of the balanced scorecard, and rationalization to achieve greater cost efficiency. The environmental dimension is proposed to focus on transforming MJSB into a serious proponent of green technology whereby being an organization which uses ICT as an enabler, there are many internal processes which could adopt green practices. As is mentioned earlier, MJSB also relies heavily on its *'experienced, knowledgeable, and dedicated personnel'*, thus it is proposed that MJSB invests in promoting caring as a value and way of life in its organization.

Finally, the human resources dimension proposes three main objectives which are to develop employees customer service skills, to consolidate an internal culture based on its core values and coming up with a succession plan. It is recommended that MJSB consider using the strategy map to determine its strategic direction and to determine the actions to be taken.

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