

New Business Development in the Health Care Market in Japan —Creativity Management in the New Business Development—

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Abstract

From the government to the boardroom to the business press, everyone is talking about health care related business as one of the potentially growing industries in Japan. However, the management of new business development in health care fields is not so simple and certainly much more complicated than that of the traditional industries, and demands that we fully utilize our creativity. In this article, the author demonstrates how large industrial organization embedded the health care business, which was far different from the existing businesses, in a broad-based and highly systemic way by presenting the strategic concept which conceptually made up of three nested layers—market space, business space and organizational space—. To challenge these business developments, the author presents five key agenda, and also describes the basic thoughts and methods, which are common across almost all the new business development, based on more than twenty years frontline experience in operating and managing health care businesses.

Key words: new business development, home oxygen therapy (HOT), customer-focused, customer relationship management (CRM), product life cycle (PLC), vision, market space, business space, organizational space, customer activity cycle (CAC)

❖ Introduction

What is the difference between marketing in the health care business and the traditional product/service business? Are there any differences between the health care field and the other industries? I think the answer is yes, there are substantial differences; marketers should develop a different approach in their marketing in the health care fields because of individualized customers, rather than targeted customer segments, complexity of the offerings, which are combinations of product and service rather than simple products or services, and value that is experienced

by the customer, rather than product/service value itself.

This is one of the reasons I chose to highlight new business development in health care and/or health care related fields and provide insights for marketers to answer these questions, especially for those leaders who are in the initial trial stages of the challenge to develop new businesses or new products/services.

In addition, there are potential new business development opportunities today in health care and related fields to develop entire new industries because of dramatic changes in the demographic and psychographic situation which reflect changes in the lifestyle, attitudes, behavior and, most importantly, the values of the Japanese people. There are many related issues behind these changes, including increasing interest in lifestyle-related diseases of the aging population and stimulation of new policies on aging for the elderly by the government.

At the same time, professionals, including physi-

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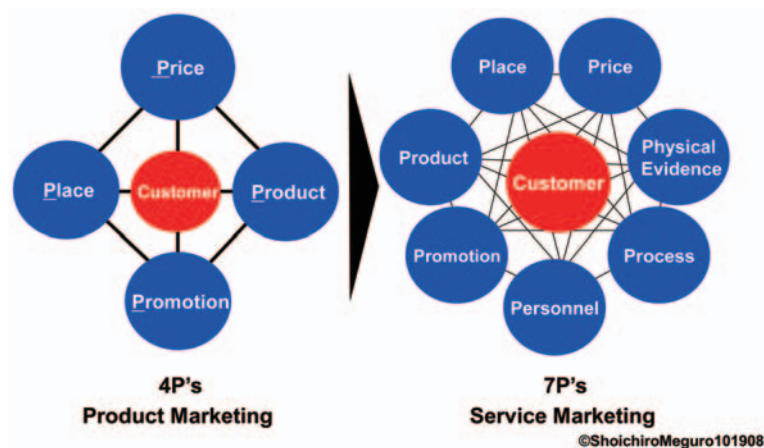


Figure 1. Marketing Mix —Product & Service Marketing—

cians, as well as managers in hospital and clinics, are developing new frameworks and/or systems to provide and operate their services based on their own ideas and concepts to improve medical services.

My goal in developing this presentation is to present a conceptual framework for developing new business based on my experiences and reflections from more than 20 yr in health care industry management. In this presentation, I will give the background on the development of marketing in Japan in order to shed light on the key managerial issues which I will demonstrate. And I plan to review the new business (in this case, the Home Oxygen Therapy Business) development process in established companies using a stage-by-stage approach and identify some managerial points for each stage. After that, I will focus on the key managerial issues in new business development, which I believe contribute to the successful development of new businesses in the health care and related market arena, as well as other existing markets.

❖ Marketing Overview in Japan

What is the very nature of business? Why is new business development becoming such a critical topic among key industries? Those are the very fundamental questions for business people in this rapidly changing and unpredictable world. One of the approaches to understand this situation practically is to think about what happened to the marketing concept in Japanese industry in the last half century.

The marketing concept which was introduced after 1950s, and the concept of marketing mix, for

example, has become common knowledge and expertise among businesspersons in Japan. Those who were in the service industries in Japan accepted the development of the concept in the marketing mix and put the 7Ps of the marketing mix into practice (see Figure 1)¹⁾.

The marketing concept itself has been very much focused on product development based on new technologies and added value to secure a premium in the market by better product differentiation. In Japanese industry, new product development has been one of the key strategic issues and has contributed to growing the Japanese economy after World War II. In short, the prevailing successful approach has been to focus on product development and improvement, as well as production efficiency, to cope with competition in the global market.

The marketing concept has thus contributed to developing mass consumption by mass advertising through the mass media produced by mass production in order to utilize the scales of economy to achieve the cost competitiveness. Simply put, consumers are continuously consuming branded products and enjoying new branded products coming from industry. Industry and consumers in Japan have both been enjoying the benefits of the value of something new for almost 50 years.

In these past two or three decades, the environmental factors of business operations have been changing dramatically by the advancing globalization of the free market and the rapid progress in information technology. Now, marketers are becoming more nervous, irritated and disconcerted to realize that com-



Figure 2. Marketing Mix in the Health Care Business

petition is coming not only from Japan but also from China and other developing countries.

Japanese industry followed the US companies lead in outsourcing the relatively less competitive portion of the total value chain to improve their cost competitiveness. These models have been very successful but still the concept of the management was focused mainly on the cost competitiveness. And as globalization has advanced, the effectiveness of product differentiation and planned product obsolescence has been deteriorating at a rapid pace because of the competition for lower prices initiated by developing countries.

I believe the real problem is that marketers have been feeling and realizing how everything is drastically changing, but they have been caught up in the status quo of the traditional way of thinking in marketing. It is true that marketers believe in consumer orientation and have been very successful in delivering quality consumer-oriented products to grow their businesses. But, consumer-oriented means to target the consumer as a whole, or part of a specific average consumer segment, not as individual customers.

Under these circumstances, marketers are discovering that some of the reasons for the changing situation include globalized competition. In addition, the rules of the game have been totally changed from a product based concept to a customer based or customer-focused concept as in, for example, the customer relationship management (CRM) capability developed in the last decade. I believe marketers, who are solely responsible for the sustainable growth of businesses, are now faced with tough but meaningful challenges.

❖ The Process of Developing the Home Oxygen Therapy (HOT) Business

There are good reasons to integrate my feelings and ideas into a framework to develop new businesses. My previous company was the pioneer in offering HOT as a business in Japan. I led the effort from 1986 to 1993 to launch and established the first mover's position in this new industry.

Until 1986, I had been working for the polyester fiber division as the manager of sales and marketing, which was one of the mainstream businesses in the company. Our customers were major spinning mills in Japan and we had attained the largest market share in this traditional industry. The business itself was one of the traditional B2B businesses and we were faced with fierce competition at this mature stage of the product life cycle.

At the end of 1986, I was assigned as a candidate for manager to have the responsibility for strategic development and control of the oxygen concentrator project. I was very excited to challenge this new position but at the same time, more perplexed than surprised to find myself in another world. First as I mentioned above, there was a totally different style of marketing activities in the process of launching the HOT business for chronic obstructive pulmonary disease (COPD) patients, which required our company to deploy a much wider variety of competencies compared with that of new product development and marketing in the past²⁾. In Figure 2, I propose a new framework for marketing mix in the health care business using 7Ps, modifying the one presented by

McKinsey³⁾.

These differences demanded that we move the focus from specific industrial customers segments to individual customers, i.e. patients, and the medical specialists providing their care. In addition, the HOT business itself consisted of a combination of products and services, different from the company's existing business to simply supply materials to other companies. Finally and most importantly, there was no existing system or business model in the home health care field in the private sector in Japan at that time.

The company was one of the leading material suppliers to the spinning industry and the business operations at the time were focused on improving the productivity and efficiency to cope with fierce competition not only in the domestic market but also internationally. It was very natural that the company was very technology oriented and appreciated their product quality, and the capability of their research and new product development, based on world-class R&D activities. The company had grown up mainly producing man-made fibers but tried very aggressively to diversify into a wide variety of markets in the 1960s and 1970s. But almost all the new businesses had failed, except for the pharmaceuticals business, which then brought the company into the health care arena. The HOT business developed just after the bitter experience of multiple failures of various attempted projects for diversification.

It is not my intention here to review the history of the company in detail but it is very important to understand the background in order to stimulate your imagination of the actual process of new business development in the company at the time.

The government had made the decision to introduce HOT under the umbrella of national health insurance in 1985. At that time, even though many leading companies in a variety of industries were interested in developing this new health care business based on their own specific strengths, including companies in consumer electronics, electronic medical devices, home building, private life & health insurance, and medical gas production, no one had yet accepted the challenge to actually start up a new business. But they all shared the notion that it was the time to develop a new business because the reimbursement system had agreed to reimburse HOT.

1. Stage 1: Developing the business concept

In this case, it was truly fortunate that the senior managing director himself, a board member, had carved out the home health care business as a desired market space for the division to achieve sustained growth for the future. The division had been targeting very specific pharmaceutical markets including respiratory disease, and launched a set of new products relatively successfully.

He had a very clear notion on the strategic development of the pharmaceutical business division for which he had responsibility. Actually, the division had entered the market very late and he thought that in order for the company to succeed, it should think about how to differentiate itself from the existing companies, not only in products themselves but also in the concept of the business as whole. Based on this notion, he expressed to the initial project team members his basic thinking and prospects for the market space, and shared with them his business concept, which was, 'Reassurance and Credibility'.

The points we need to recognize at this initial stage are as follows:

- 1) In the health care business, one of the triggers to launch a new product/service is that it has been authorized as an approved therapy under the umbrella of the national health care reimbursement system, thus providing a concrete potential source for revenue.
- 2) In developing a new business, visible commitments by top management or at least one of the senior management people is required. Even more importantly, they should articulate their own concept or view, which should be very creative, and also their high level prospects for the new businesses, which are very understandable and motivating for the team, even without detail at this point.
- 3) It is very important to see where potential competitors are coming from. In the case of the HOT business, as mentioned above, there were a variety of companies with a very strong interest in the emerging business. In other words, it is very common to have exactly the same interest for emerging opportunities among existing competitors, but in addition, potential competitors in totally different industries and in foreign countries should also be watched very carefully.
- 4) The difference between success and failure in



Figure 3. The Good ‘Vision’ Leverages the Organizational Capacity

kicking off the initial stage depends on how the business concept and vision are articulated, and by whom. In other words, the business concept, vision and values, as well as clear the definition of the new business, should be deployed with a well-organized demonstration. These are indispensable ingredients to achieve the advantages of the first-mover.

2. Stage 2: Visualizing the market space

We had started to begin by meeting and discussing with people inside and outside the organization to define the business, based on the business concept expressed by the senior managing director. This process was conducted concurrently with the process of clarifying the vision statement. We visited key doctors and specialists not only in Japan but also in the US where HOT was developed in 1965, almost 20 years before the company started the business in Japan.

The vision development was the next step after the decision was made to kick-off the new business. Based on the business concept, we started to build and reinforce the vision in the project team. The vision statement became “to enhance the quality of life of patients at home”. This was communicated to employees, key affiliated providers, and even to the public. We utilized many kinds of media, including the development of brochures for patients, doctors and nurses at hospitals (see Figure 3).

The process was very exciting but required much

reflection and debate to conceptualize the customer value of HOT. But in the process, we developed many useful connections with people and organizations in this potential business field. We were very successful in getting support from doctors, nurses, allied health professionals, and patients in hospitals. During this stage, we also clarified who, and for what reasons, among the patients and doctors made the decision on choosing the oxygen concentrators. Based on this information, the communication strategies were established to efficiently diffuse the concept of HOT.

The main point here was to develop conceptual maps which literally clarify who surrounds and supports the patient, determine what kinds of connections exist among these surrounding individuals and organizations, and finally, map out who was doing what for whom and who had responsibility for each action. These conceptual model-building processes were reviewed repeatedly until I fully understood them (see Figure 4).

This process was very time consuming for us because of the complexity of the connections among all the people in this “previously unknown world”, but based on this process, I was able to demonstrate to all related parties what kind of business we were developing and specifically what kinds of roles/responsibilities should be shared with each other (see Figure 5).

It was a truly creative process for the team and very exciting at the time to define this new market space in front of their eyes, though the object at that

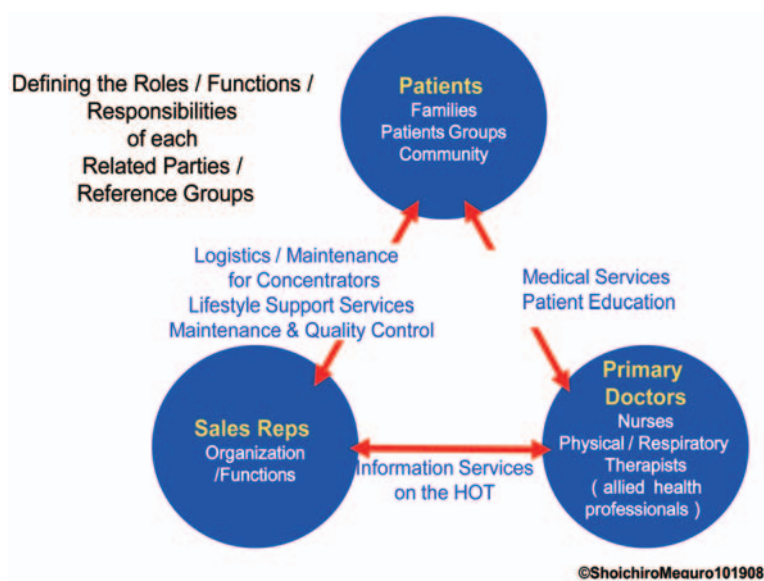


Figure 4. The Roles & Responsibilities Among the Parties in the HOT Business (a conceptual model)



Figure 5. Visualizing the Relationships with Each Individual Patient

time was how to explain the workings of this new market space in order to make sure everyone involved understood.

When I think back about the whole process that I promoted, I now recognize that this stage was not only the most critical point in establishing the new business within the company organization, but more importantly, it was the crucial stage to develop a dominating presence which gave the impression of our company as the “first mover” in the HOT business in both the

marketplace and to the public.

At the same time, we started to develop communication strategies to quicken the pace of the diffusion process of HOT among doctors, nurses, allied health professionals, and the public, all over Japan.

The managerial points for the second stage are as follows:

- 1) It is very important to clearly define the new business. In the case of traditional marketing management, definition of the target market or segment of



Figure 6. Developing the New Business Around the Customer Value Cycle

customers has been a very important key to successfully build up the marketing mix. But in the case of developing a completely new business, if you are willing to meet this exceptional challenge, you should start by defining the market based on the business concept.

- 2) The main points here are: to define who the customers are; what is the value or function to be delivered to the customers; and how is this value or function to be delivered. We need to recognize the tremendous differences between traditional new business development and the approach we employed in this case. In the case of the traditional approach to new business development, we usually chose markets adjacent to the existing core products. For example, we diversified the man-made fiber business from selling the staple fibers to polyester-blend yarns and fabrics in order to increase the added value. But in the current case, the boundary of the target industry was yet undefined and we just thought about how to deliver the customer value of HOT to the ultimate customers, i.e. the patients at home (see Figure 6).
- 3) One of the keys for success in developing and diffusing the vision is to invest enough resources. At the initial stage of developing a new business, the members of the project are typically recruited from unrelated areas of the company and have totally different backgrounds and experiences. Every businessperson can understand that it takes time to get all the members of the team on the same page, and for them to share the same big picture. If enough time and resources are not allo-

cated, these efforts can stumble at a very early stage when some team members fail to gain a common image of the new business ahead.

3. Stage 3: Setting up the business space

In this case, we started from what is known as a membrane-type of oxygen concentrator and later, decided to introduce an absorption-type of oxygen concentrator. The initial decision was very simple in that the specific membrane was developed by our company and patented. But after a series of clinical tests by key researchers and doctors, it was determined that the membrane type could not produce enough oxygen to cover all the COPD patients at home due to low concentration (Actually, the membrane-type of concentrator provides nearly 40% of concentration of oxygen but the absorption-type of concentrator is able to produce up to 95%).

At that time, the mainstream oxygen concentrator in the US was an absorption-type because of its high concentration capability. There were about 35 companies which provided equipment for the home health care industry in the US. Our company had a technical association with one of the leading US manufacturers in order to enhance our capability for pursuing cutting edge technologies in this market. And we imported their concentrators for the clinical tests in Japan. In parallel with these clinical tests, we started to gather information and knowledge on the liquid oxygen systems at home because these systems had also been introduced in the US.

Up until that time, the basic sales methods and guidelines had been set up based on the experience of

selling the membrane-type concentrators. After the approval of HOT for reimbursement by the national health insurance in 1985, sales activities had been expanded in terms of coverage of the market by increasing the number of the sales reps.

It was a critical time to make the decision whether to sell the membrane-type of concentrator based on the company's own technologies or to start-up the entirely new HOT business, which required us to develop the totally different management. The underlying issues, which had been discussed among key persons, including board members, were as follows:

- 1) The HOT business is not a logical and appropriate business for the company because traditionally it had grown up as materials producer and had no experience to operate a business to consumer (B2C) business and, especially, provide services directly to the ultimate customers.
- 2) If the membrane-type of oxygen concentrators were not adequate for the patients, we should think about just selling the medical devices to wholesalers without getting into the home health care market by ourselves. And, we should not develop the absorption-type of concentrators because of a lack of technology, competitive advantage and core competences.
- 3) So far, the company had been very successfully in establishing a high value corporate brand and if the HOT business was not well accepted or accidents happened, it had the potential to do enormous damage to the image of the company.

Finally, after considerable discussion and because of the senior managing director's overwhelming persuasive power among the board members, the decision was made to start up the HOT business directly by introducing an absorption-type oxygen concentrator. I believe the fact that the business concept had been shared and well accepted among the members of the board was one of the keys to reaching agreement.

Professor Thomas L. Petty at the University of Colorado, the physician who developed HOT in the US, and Assistant Prof. Louise M. Nett, a specialist in the respiratory therapy field, supported doctors and nurses in Japan during this period by giving lectures and education/training programs. The company organized everything for these programs, which contributed to developing relationships with key doctors, nurses and other caregivers. But more than that, these

promotional activities were well accepted and much appreciated by the medical professionals in each region due to the fact that state-of-the-art research and practical guidelines in HOT had been introduced.

The Business Space of the HOT and related businesses is represented by the theory of the three dimensional model by Abell⁴⁾. The HOT business includes the business of the membrane-type oxygen concentrator and the absorption-type of oxygen concentrator, and is part of the home care business. The process of developing the business space has defining the business re-defining the business, and re-re-defining the business. The Figure 7 illustrates the business space of the HOT business and the process of the developing it.

Key issues in defining the business space are as follows:

- 1) The business space defines the dimensions of the operating business in which the company is going to execute first in the market space. In other words, the business space is the top-priority subspace of the market space, and the one in which the company has selected as the place to kick off the first new business. At the first stage, conceptual model building was one of the key elements, but in this second stage, one should think about how to manage the business in the emerging market as the first mover on a more practical basis.
- 2) At this stage, strategic development should be promoted and led by a knowledgeable marketing person, followed by a team of people who have extensive experience around the customers. The commitment of top management is required in the team building to initiate the new business development and also in choosing the candidates and nominating team members. Team building is one of the greatest challenges⁵⁾.
- 3) The marketing strategies are going to be developed at this stage and these strategies are implemented at the same time. In the case of the health care area, the marketing concept is more than product marketing or service marketing. The marketer should have a holistic view of the health care system in developing and implementing strategies (see Figure 8).
- 4) The market structure in the health care field is more complicated than traditional industries. There are a variety of related parties and each of them has specific roles, functions and responsibilities.

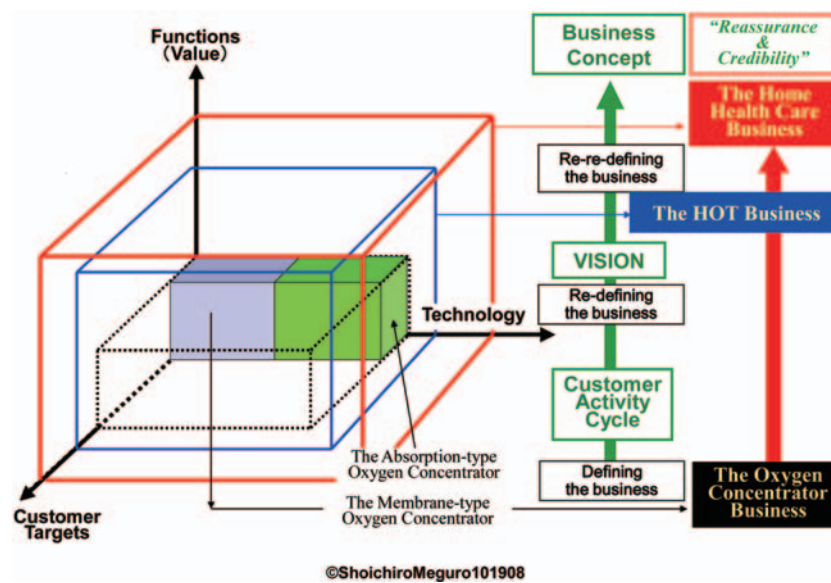


Figure 7. The Process of Developing the 'Business Space'
—Three Dimensional Business Definition (Abell)—

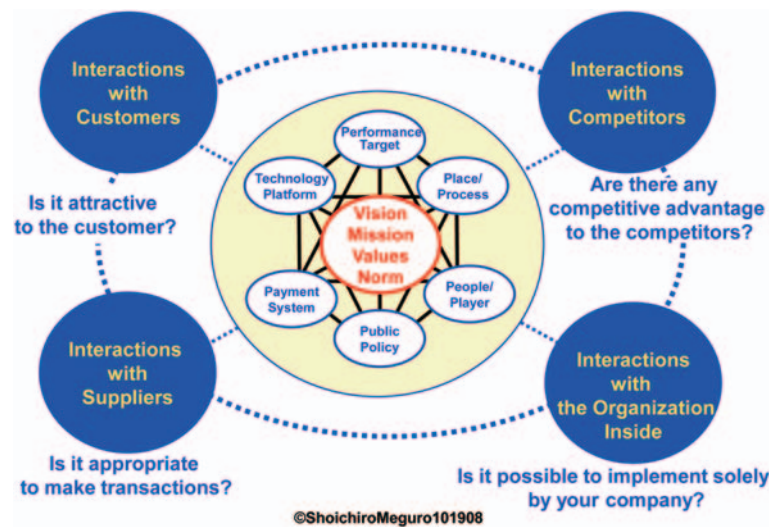


Figure 8. Consistency Management Between Internal & External Factors with the Marketing Mix

ities. Each of the parties must agree upon the new method, operations and the business itself. If one of the parties does not agree, you should be prepared for your project to float in midair, effectively disconnected from the market and unable to takeoff (see Figure 9). In other words, if you are going to introduce your business into the health care market, profit or non-profit, you should develop and keep well-established connections with all the related parties, which include not only the patients but also their family members, people

in the government, medical specialists in the hospitals and leading professors in the pertinent departments in medical schools.

4. Stage 4: Developing the organizational space

The organizational space defines the structure of the new business organization, including the infrastructure, and especially focused on effectiveness and efficiency to deliver the optimized value to the customers.



Figure 9. Development of the Identity for the New Business

I believe it is very natural that every established company has its own genetically programmed behavior according to its specific culture and organization. These factors should be carefully analyzed when starting up the new business to identify both the driving and potential suppressing factors, especially in established organizations, whether private or public.

The process of developing and designing an appropriate organizational structure was conceptualized and discussed in parallel with the process of developing the business space. It is instructive to apply the stage model such as four stages model by Gebhardt⁶⁾ et al. to analyze this process.

In this case, three steps were taken before the fourth stage:

- 1) Step 1: The senior managing director chose the initial project team members and developed the new department under his control, but separate from the rest of his department. At the time, he also had responsibility for the pharmaceuticals business unit and he juxtaposed the HOT business department with the existing pharmaceuticals department. Each department had all the functions needed to operate their own business and those two departments were totally independent. Some of the managers who had responsibility for information gathering in R&D did work for both departments but their roles and responsibilities were clearly separated into two departments.
- 2) Step 2: When the senior managing director decided to start up the HOT business, the deci-

sions around developing the organization were basically made by him alone, including nominating candidates for managers in marketing and sales, as well as in the manufacturing facilities. In the marketing and sales fields, he chose candidates among the people who had worked for him, or whom he had some kind of relationship, even indirectly, in the past. The personnel decisions were made top down and the organization of these persons was very carefully considered in order to build up a well-balanced team to start the new business.

- 3) Step 3: In this case, the initial project team, the so called "control tower" of the start-up business, had been organized in 1986 just after HOT was approved by the government to be incorporated into the national health insurance and the manager was nominated and transferred from a different business unit to organize and direct the team. The functions of the team, later becoming the HOT office, covered almost everything necessary to manage the business including financial management, product planning, product development, management information system development, sales planning and control as well as marketing strategic development.

The senior managing director selected key persons for this team who had expertise in each functional area. The team contributed to formalize every activity in the business and documented them in written job descriptions. As you might imagine, the team had

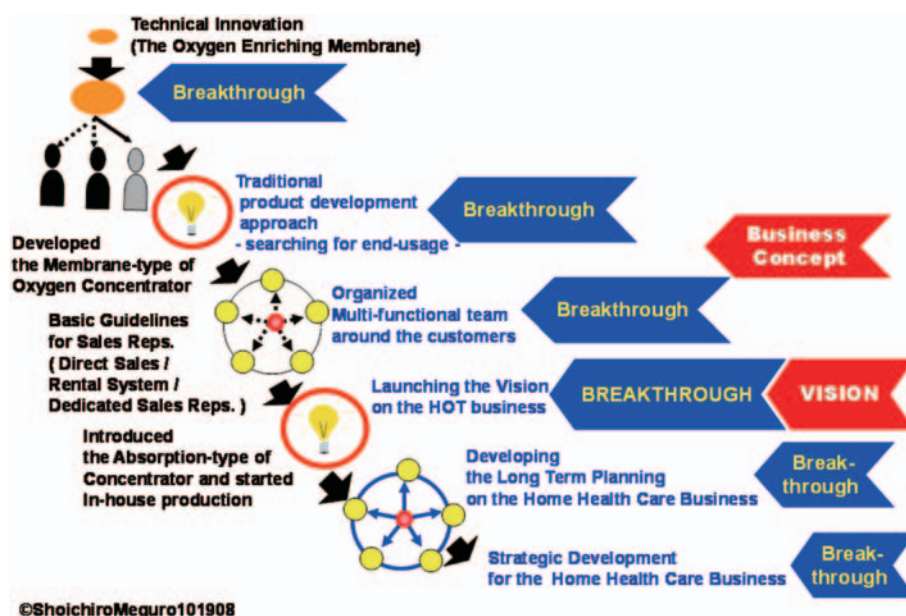


Figure 10. Evolving the Business by Repeating to Define the Business

highlighted a variety of themes, which had been collected by the front line sales reps, manufacturing managers in the manufacturing facilities, R&D staff in the research center and related people outside the company, for example from potential competitors and the government.

The “control tower” of the start-up business was dedicated to developing the marketing strategies and implementing multi-functional activities including financial control, product development, management information systems development, training and educational programs, and sales management, on a daily basis. Everything was new for each member even though each was well trained in his/her specific functional area, but all the members of the team made a dedicated effort to make the new business happen successfully.

The team finalized two proposals within 5 years: one was the proposal for the organization to spread and cover the entire Japanese market, and the other was a long-term business strategic plan to build the home health care business.

Key strategies in the organizational developments:

There are so many strategies and practices available for launching new business organizations but there were some noteworthy strategies employed in this case (see Figure 10)⁷⁾.

1) We need someone who provides centripetal force

for gathering resources, especially people, in order to initiate the new business.

One of the points here is that the senior managing director himself initiated the new business concept. And, importantly, he was well respected in the company because of his distinctive performance in his career. He had been supported by the overwhelming majority of the middle management people who had the experience of working with him either directly, or indirectly, because of his good personality and attitude in his day-to-day business activities. In addition, he was also much appreciated outside the company by competitors as well as business partners.

2) Developing the ‘control tower’ is the key to gather, integrate, and implement the energy to launch the new business.

It’s worth noting that the senior managing director had assumed approval of reimbursement as an explicit prerequisite to start up the HOT business. The organizational development process was promoted step-by-step using a hands-on approach because of uncertainty of the final decision by the government whether HOT would be covered in the reimbursement system under national health insurance. But he made developing the project team organized around the shared business concept as his first priority. He recruited key managers and persuaded them through his enthusiasm to

join the initiative by articulating his very basic business concept. Through his hands-on approach, he motivated the new team members to accept the challenge and work with him to bring his business concept into shape.

- 3) The top priority of the control tower is to visualize the business concept not only inside but also outside the company to insure the existence of proof of concept.

Among the activities of the control tower, it is particularly worth noting that we had been dedicated to developing communication strategies that visualized the business concept and then sharing this vision with the public as well as doctors, nurses, and allied health professionals.

The reasons are as follows: first, in the case of the products/services that are reimbursed by the national health insurance system, advertising is regulated. We needed to develop the idea of how to promote the diffusion process for the HOT among the medical specialists and also the public under these constraints. Secondly, in order that all participants can visualize the start-up business, we believed it was critical to promote the concept and vision of the HOT business, which would bring revolutionary change for the quality of life of COPD patients in the hospital.

We identified that the company's corporate brand was very popular among the public, with the prevailing image at that time of a very successful and aggressive company among the cutting-edge companies in the high polymer chemical industry, diversifying its business by challenging competitors through innovation. The corporate brand had also been well accepted by doctors and nurses in the respiratory field, as well as by patients, because of the company's new pharmaceutical products. That was the reason why we emphasized the vision incorporating the corporate brand to promote the communication strategies.

This vision was highlighted at every possible opportunity inside the organization and in parallel with the activities. We developed PR strategies for the public and related medical specialists in the health care field from the patients' point of view. We put the emphasis on our basic notion to develop the HOT business around the customers i.e. the patients, the intention being to be accepted by the families of the patients, as well as by the

medical specialists. These promotional activities for the public were also communicated extensively to the people inside the organization to reinforce their dedication and commitment to the new business.

The bottom line here is that the vision promotion in the organization should be prepared by considering interactive effectiveness between inside and outside the organization in order to achieve the optimal outcome. In other words, the promotional activities are not just printing the vision on the pamphlets and in-house magazines, or repeating the same comments in managers' speeches. The vision should be shared in ordinary conversations and discussions among the people inside the organization and also in the daily conversation with related people outside the organization (see Figure 9).

❖ Creative Management in the New Business Development

There are several challenges for marketers to cope with the changing market and to develop new business to keep their company growing. One of the basic issues, which everyone understands but rarely thinks seriously about, is the creativity ability that everyone has. I believe every manager would agree that discussions on enhancing intellectual creativity and logical thinking power should be a daily occurrence.

The process of the new business development, as I have explained so far, is comprised of a variety of ingredients and very specifically arranged steps (see Figure 11). But in addition, the managers who are responsible for managing this process are required to execute these steps not sequentially but concurrently (See, Figure 12).

We, marketers, have been well trained and are accustomed to promoting strategies and projects in a sequential manner. But in a dynamic changing world, the process of business development or product/service development, demands that we manage many things at the same time due to the need to manage many interested external parties, including partners. At the same time, we do not want to reveal anything that could give an advantage to potential competitors. These situations require us to create the big picture in the future by holistic thinking and articulating them to other people both inside and outside the organization.

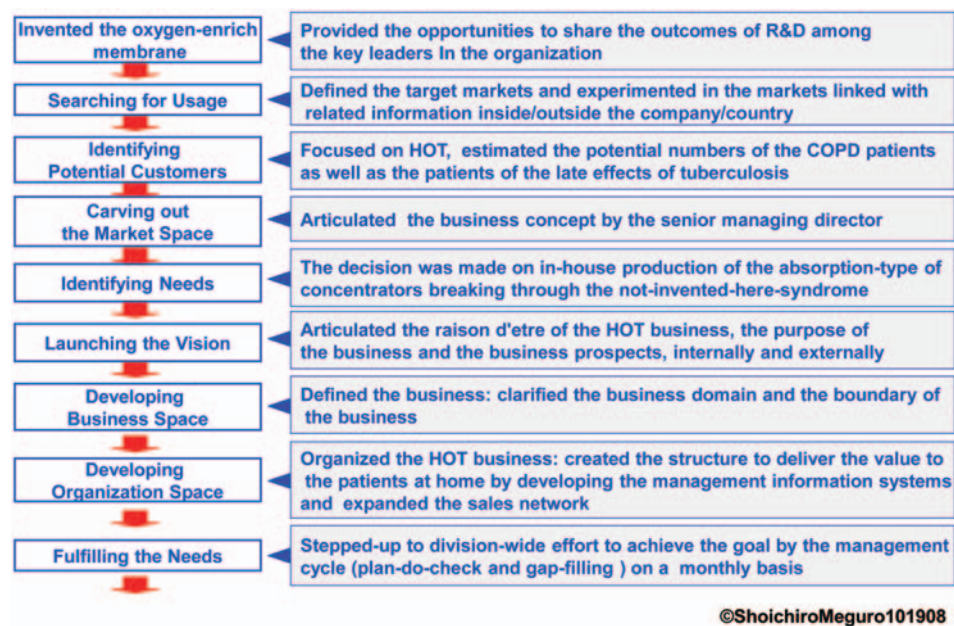


Figure 11. Creative Processes in Developing the HOT Business
—Sequential Process Model—

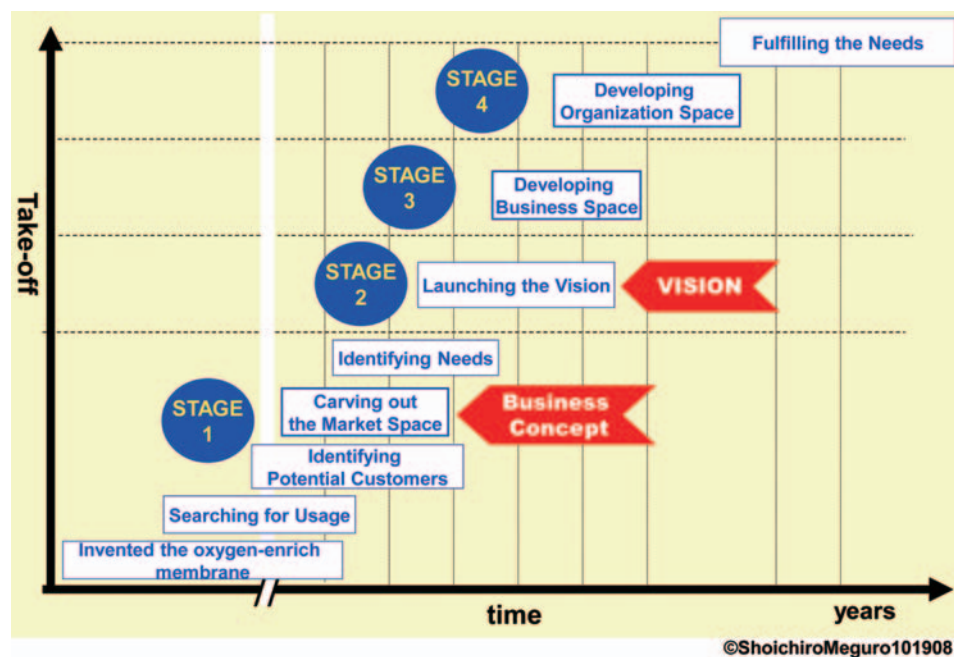


Figure 12. Creative Processes in Developing the HOT Business
—Concurrent Process Model—

There are several aspects in which creativity is required in new business development (see Figure 13).

These are important questions to consider when thinking about creativity in your organization.

1. Is there a clear business concept? In other words,

can you explain your thought in very simple and understandable words?

It is a truly creative process to form a business concept into a business by awakening to the potential, newly identified needs of the customers. In our case, the senior managing director had

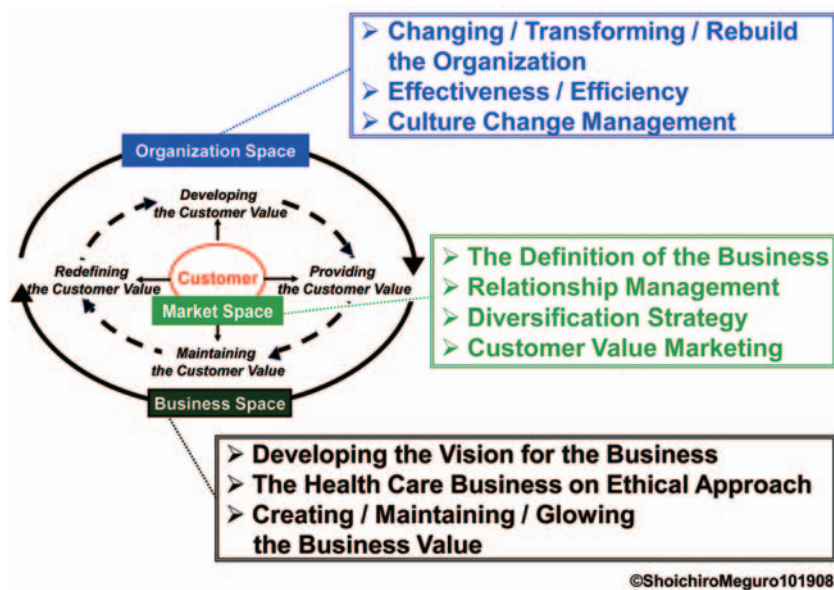


Figure 13. Creative Management in the Health Care Business Development

a very clear and understandable, but ambitious business concept: 'Reassurance and Credibility'. And more importantly, the concept was defined from the customers' point of view and was also future-oriented to develop a completely new home health care business within the company.

The concept had logical, emotional and strategic implications, which inspired creativity and a spirit of buy-in among the people who had been nominated as candidates for the leaders of the initial stage of the developing the home health care business. In the early 1980s, no one could imagine launching a business concept like this in the pharmaceutical industry in Japan. Those people who had the opportunity to discuss this with him, including me, were very excited and encouraged by the creativity and imagination expressed to create the new business.

2. Is the articulated vision of the new business understandable to everyone in your organization? In other words, what is your definition of the business space?

At the stage of building up the business space, the vision should be identified and shared among the people in the organization. At the same time, the communication strategy, mainly the public relations strategy, should be developed to communicate the vision as well as the business concept at every opportunity. For example, we

utilized every chance available, such as magazines for nurses, exhibits at medical congresses, training programs/seminars, broadcasting programs including TV, and newspapers as well as in-house publications and brochures.

The point is that it is crucially important to communicate the vision outside of the organization in order to be recognized and that its existence becomes a kind of proof of reality of the new business for people in the field, and the public in general. Such recognition by people outside inevitably reflects on the insight of the vision owned by the people in the organization and reinforces their ability to conduct bold activities with sufficient self-confidence (see Figure 3).

3. Who are the players on the stage, what kind of performance is each of them going to play, and who is working behind the scenes? And who is the audience? Are there clear definitions of everyone's role and what kind of values they deliver to the individual customer?

When we were ready to start up the business, we reconfirmed the functions and roles for each member in a visible chart in order to share it among all the team members. Importantly, this kind of chart should also be shared with the customer to make him/her understand the mechanism to deliver their value received. The point here is every member is able to identify his/her real role

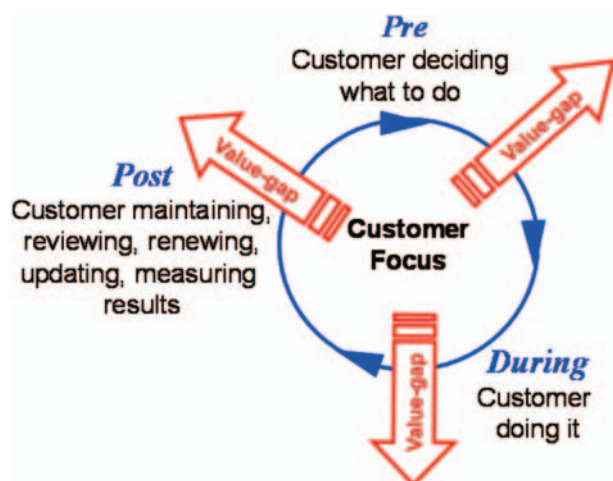


Figure 14. Customer Activity Cycle Model

in interacting directly or indirectly with the customer to create customer value. This is a basic concept used to think about individual customer-oriented marketing, especially in the health care fields.

4. Is there a clear definition of the customer values?

The customer values means indispensability for the specific customer. In other words, the organization should become the only and irreplaceable source for each individual customer specifically. That's why the views of each specific customer's daily experiences should be identified continuously. The customer activity cycle model provides us with one of the most valuable tools to identify this value by carving out the value-gaps, or identifying what is missing. Figure 14 depicts the customer activity cycle model, which is modified model, originally proposed by Vandermerwe⁸⁾ (See Figure 14).

For example, in this case, the company originally developed oxygen concentrators, but then added value by developing ambulatory oxygen bottles to enable their customers (i.e. patients) to easily walk around and go shopping. Even in the case of traveling on trains and airplanes, the company provides not only the ambulatory oxygen, but also set up oxygen concentrators in customers' hotels or inns free of charge. They have been accumulating a repertoire of these many small, but very helpful, efforts into their service through the re-defining process (as shown in Figure 15) in order to literally realize their vision for making

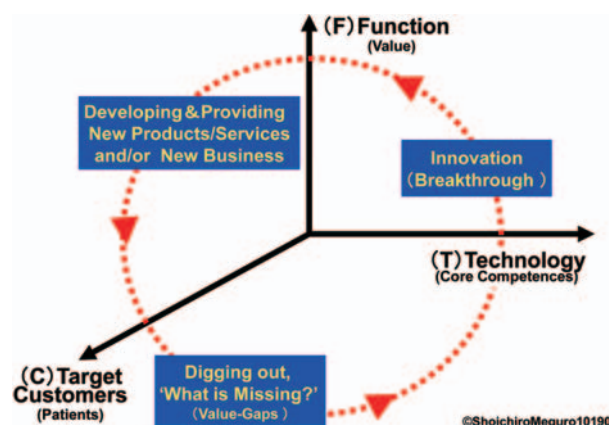


Figure 15. The Cyclical Process of Re-defining the Business

themselves an indispensable part of the patients' quality of life, in home or out.

5. Do you have the best team members both inside and outside to deliver the customer value most effectively and efficiently?

For several years now, there have been a number of excellent cases published on the value chain⁹⁾ or supply chain management to achieve a cost advantage by outsourcing some, or even all, link in the chain to developing countries because of their lower labor cost. This is reasonable in terms of gaining cost competitiveness while the cost is significantly lower than in the home country, and the competitors, including those of the developing countries, have not yet emulated the management expertise. However, it has become very clear that outsourcing alone is not able to be leveraged for sustained growth in the long term.

The point that we should think about here is how to develop partners inside and outside the organization and how to manage collaboration among the partners in a creative manner¹⁰⁾. As we can experience and demonstrate in outsourcing, information technology gives us invaluable tools to communicate with each other in images and sounds, as well as characters, at the lowest cost.

Dr. Thomas L. Petty described collaboration very clearly as follows¹¹⁾; "The essence of collaboration is the bringing together of professionals with unique skills and experiences in such a fashion that forward movement becomes possible. No one person can be dominant. 'The chain is only as strong as its weakest link'. No one has a bad idea and all are considered".

❖ Closing

The case that I have introduced here happened almost 20 years ago and the number of the patients on HOT today is estimated at between 130,000 to 150,000 in Japan. It is said that the company now has around 65% market share. But as I have pointed out, the management of new business development in the health care fields is not so simple and certainly much more complicated than that of the traditional industries, and demands that we fully utilize our creativity.

It may be true that there will be the potential to develop other new businesses in the health care field in Japan. For example, in the last ten years, chronic disease management has receiving a fair amount of attention from leading companies including life insurance companies, medical devices producers, and information technology companies, among others. Now there are many institutions, including big and small, private and public, profit and non-profit, which are taking the plunge into projects, programs and businesses in the disease management field.

I hope that those who are accepting the challenge to develop these new businesses in the health care field gain useful suggestions and insights from this case. First, in the case of developing a new business in the health care field, the business concept should be justified by an obvious public need. Secondly, the business itself should be prepared for engaging in not only more societal issues but also specific personalized day-to-day experiences. Thirdly, I want to emphasize here that they should be prepared to develop the programs and new products/services themselves based on scientific evidence and make them credible for the customer. Finally, the most critical point for marketers who are trying to enter the health care market from traditional industries is that the customer value should be co-created with the customers, and not provided by just selling the specific products and/or services by pushing them into the marketing channels. In other words, customer value should be provided for each specific individual's ongoing experiences concurrently and in a seamless manner by combining products, services and information. This demands much more complicated and cre-

ative management and marketing activities than those of in the traditional markets¹²⁾.

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