

# The Healthcare Non-Profit Ecosystem: Internal & External Forces Shaping Strategy

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## Introduction to Environmental Analysis in Healthcare Non-Profits

✦ Why Does Environmental Analysis Matter?.

- ✔ Healthcare non-profits operate in a dynamic environment influenced by internal and external factors.
- ✔ Strategic decision-making relies on understanding financial models, regulations, competition, and socio-economic trends.
- ✔ A well-executed environmental analysis helps organizations adapt, sustain operations, and maximize impact.



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## CHANGING ENVIRONMENT

-  Demographic changes
-  Economical changes
-  Lifestyle changes
-  Technological changes





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VUCA world

VUCA world is characterized by being dynamic, unpredictable, volatile, complex, interconnected factors and uncertainties in making strategic decisions and in the face of extreme crises, create a complex and turbulent environment. In the healthcare sector, the need to develop adaptable and resilient strategies to manage rapid advancements, multifaceted challenges, and shifting patient and system needs.



- Volatility**  
The rate at which things change and the speed of change
- Uncertainty**  
The lack of predictability and the degree to which the outcome of a situation is unknown
- Complexity**  
The number of variables involved in a situation, the interconnections between them, and the difficulty of understanding them
- Ambiguity**  
The lack of clarity and multiple interpretations of a situation

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The Healthcare Market—  
A Unique Ecosystem



- ★ **What makes the healthcare non-profit market different?**
- ✓ **Essential Service** – Healthcare is a basic need, unlike other markets.
  - ✓ **Government Regulation** – Strong public sector involvement impacts operations.
  - ✓ **Complex Funding Models** – Reliance on donations, government funding, insurance, and patient fees.
  - ✓ **Ethical & Social Impact** – Decisions prioritize public health over profit

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The Healthcare Market—  
A Unique Ecosystem



- ★ **Competitive Pressures in Healthcare Non-Profits**
- ✓ **Other hospitals, clinics, and private healthcare providers.**
  - ✓ **Government policies impacting healthcare access.**
  - ✓ **High-tech and biotech industries influencing medical innovations.**

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Financial Models & Revenue Sources

★ How Do Healthcare Non-Profits Sustain Operations?

- **Government Funding** – Public healthcare funds, grants, and subsidies.
- **Insurance Reimbursements** – Payments from HMOs and private insurers.
- **Philanthropy & Donations** – Charitable contributions from individuals and organizations.
- **Service-Based Revenue** – Patient fees and healthcare programs.

✔ A diverse funding strategy reduces financial vulnerability.

✔ Organizations must balance cost-effectiveness with service quality.



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Why is Environmental Analysis Crucial for Strategy?

- ✔ Internal and external factors determine an organization's ability to achieve its mission.
- ✔ Strategic planning relies on a deep understanding of both internal capabilities and external pressures.
- ✔ Healthcare non-profits must adapt their strategies to changing environments to ensure long-term sustainability.



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The Connection Between Internal & External Analysis and Strategy

Environmental Factor	Impact on Strategy
Internal Strengths	Build competitive advantage by leveraging expertise, technology, or partnerships.
Internal Weaknesses	Identify and address gaps in funding, resources, or infrastructure.
External Opportunities	Develop growth strategies by capitalizing on funding, partnerships, or new healthcare trends.
External Threats	Create risk management plans to mitigate policy shifts, economic downturns, or technological disruptions.

- ★ Example:
- **Internal Weakness** → Staff shortage → **Strategy** → Develop volunteer training programs.
  - **External Opportunity** → Advances in digital health technology → **Strategy** → Implement telemedicine services to expand patient reach and improve accessibility.



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STRATEGIC MANAGEMENT

- ❑ Managerial process that involves developing the goals, and resources of the organization
- ❑ The goals of strategic planning are to redesign the organization and its products in a way that will fulfil its profit and growth goals
- ❑ Previous studies have found that strategic management of non-profit organizations contributes to their survivability and improves their performance

Strategic management is often described as involving two major processes: formulation and implementation of strategy



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STRATEGIC MANAGEMENT- FORMULATION

- ❑ Formulation of strategy involves analyzing the environment in which the organization operates
- ❑ Making a series of strategic decisions about how the organization will compete
- ❑ Formulation ends with a series of goals or objectives and measures for the organization to pursue



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STRATEGIC MANAGEMENT- FORMULATION

Environmental analysis includes the:

- ❑ Remote external environment, including the political, economic, social, technological, legal and environmental landscape
- ❑ Industry environment, such as the competitive behavior of rival organizations, the bargaining power of buyers/customers and suppliers, threats (Porter's 5 forces)
- ❑ Internal environment, regarding the strengths and weaknesses of the organization's resources (i.e., its people, processes and IT systems)]



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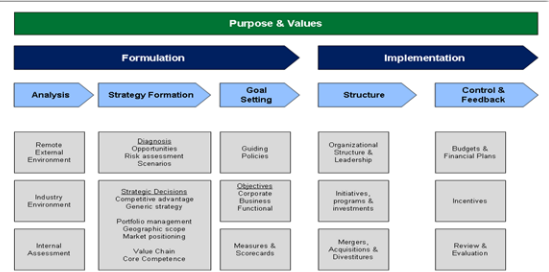
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Strategic Management Framework



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STRATEGIC MANAGEMENT- FORMULATION

Strategic decisions responses to strategic questions about how the organization will compete, such as:

- What is the organization's business?
- Who is the target customer for the organization's products and services?
- Which businesses, products and services should be included or excluded from the portfolio of offerings?
- What is the geographic scope of the business?
- What are the important opportunities and risks for the organization?
- How can the firm generate more value for investors

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STRATEGIC MANAGEMENT- IMPLEMENTATION

The implementation stage involves decisions regarding how the organization's resources (i.e., people, process and IT systems) will be aligned and mobilized towards the objectives



Implementation results in how the organization's resources are structured (such as by product or service or geography), leadership arrangements, communication, incentives, and monitoring mechanisms to track progress towards objectives, among others

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What is a Strategy Pyramid?

The strategy pyramid is a framework that helps organizations align their actions with their overall vision and mission.

The pyramid starts with the vision and mission at the top, which provide a clear and overarching direction for the organization. The next level is values, the guiding principles that shape the organization's culture and behavior.

**Why use the Strategy Pyramid for Strategic Planning?**  
The Strategy Pyramid is helpful for strategic planning because it visually organizes and prioritizes different aspects of a plan. It helps to break down the overall strategy into smaller, more manageable components, making it easier to implement and measure progress.



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KEY TAKEAWAYS

- Healthcare Non-Profits Operate in a Complex Ecosystem
- Environmental Analysis is Essential for Strategy
- Strategic planning development processes have been inculcated in hospitals over the past decade.



- Healthcare market is increasingly adopting competitive business practices- At one level or another
- Hospitals are becoming more:
  - client-oriented organizations
  - business-oriented organization

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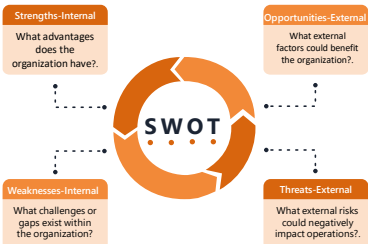
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SWOT ANALYSIS

SWOT analysis is a strategic planning tool used to evaluate an organization's internal strengths and weaknesses and external opportunities and threats.



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SWOT  
ANALYSIS

Why is SWOT Important?

- ✓ **Informs strategic decision-making** to maximize strengths and opportunities.
- ✓ **Identifies areas for improvement** to address weaknesses and mitigate threats.
- ✓ **Helps align mission and vision** with real-world challenges and resources.

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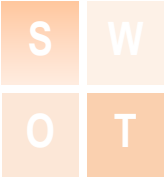
Internal Factors: Strengths And Weaknesses (S, W)

★ **Key Internal Factors in Healthcare Non-Profits:**

- ◆ **Human Resources** – Medical staff, volunteers, board members.
- ◆ **Infrastructure** – Hospitals, clinics, medical equipment, IT systems.
- ◆ **Financial Stability** – Access to consistent funding sources.
- ◆ **Operational Efficiency** – Processes, governance, and leadership.

★ **Internal Strengths & Weaknesses:**

- ✓ **Strengths:** Skilled workforce, strong donor base, advanced technology.
- ✗ **Weaknesses:** Staff shortages, outdated systems, financial instability.



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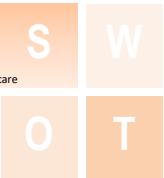
External Factors: Opportunities And Threats (O, T)

★ **Key External Forces Impacting Healthcare Non-Profits:**

- ◆ **Government & Policy Changes** – Regulations affecting funding and service delivery.
- ◆ **Market Competition** – Private hospitals, pharmaceutical companies, and telemedicine providers.
- ◆ **Economic Conditions** – Inflation, healthcare costs, donor willingness to contribute.
- ◆ **Technological Advancements** – Digital health, AI in diagnostics, remote care solutions.

★ **External Opportunities & Threats:**

- ✓ **Opportunities:** New funding sources, partnerships, telemedicine adoption.
- ✗ **Threats:** Policy shifts, donor fatigue, economic downturns.



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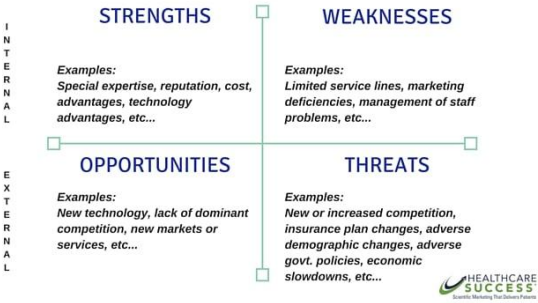
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
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SWOT Analysis Framework for Healthcare Non-Profits

Category	Key Questions	Examples for Healthcare Non-Profits
 <b>Strengths</b>	What are our internal advantages?	Strong donor network, skilled medical professionals, advanced healthcare technology.
 <b>Weaknesses</b>	What internal challenges do we face?	Limited funding, outdated infrastructure, staff shortages.
 <b>Opportunities</b>	What external factors can we leverage?	Government healthcare grants, new partnerships, technological advancements (telemedicine, AI).
 <b>Threats</b>	What external risks do we need to mitigate?	Policy changes, donor fatigue, increasing competition from private healthcare providers.

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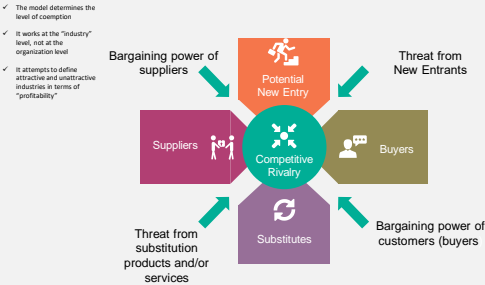
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Porter's Five Forces



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Porter's Five Forces

The diagram shows five forces arranged in a circle around a central point. The top force, 'Threat from New Entrants', is highlighted in orange. The other four forces are in grey: 'Bargaining power of suppliers', 'Bargaining power of customers', 'Threat from substitution products and/or services', and 'Rivalry among existing firms'.

The key question here is whether another company could very easily offer the same product and enter the market.

The things which stop new companies from entering a market are referred to as barriers to entry

Threat from New Entrants

- ✓ Time and cost of entry
- ✓ Specialist knowledge
- ✓ Economies of scale
- ✓ Cost advantages
- ✓ Technology protection
- ✓ Barriers to entry

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Porter's Five Forces

The diagram shows five forces arranged in a circle around a central point. The right force, 'Bargaining power of customers (buyers)', is highlighted in olive green. The other four forces are in grey: 'Threat from New Entrants', 'Bargaining power of suppliers', 'Threat from substitution products and/or services', and 'Rivalry among existing firms'.

Buyers mainly influence the profitability through their ability to lower prices. In general, buyers who meet the following conditions have strong bargaining power:

- ✓ The total number of buyers is small, and each buyer purchases a large amount and accounts for a large percentage of the seller's sales
- ✓ The seller's industry consists of a large number of relatively small companies

Bargaining power of customers (buyers)

- ✓ Number of customer's
- ✓ Size of each order
- ✓ Difference between competitors
- ✓ Price sensitivity
- ✓ Ability to substitute
- ✓ Cost of changing

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Porter's Five Forces

The diagram shows five forces arranged in a circle around a central point. The bottom force, 'Threat from substitution products and/or services', is highlighted in purple. The other four forces are in grey: 'Threat from New Entrants', 'Bargaining power of suppliers', 'Bargaining power of customers', and 'Rivalry among existing firms'.

Threat from substitution products and/or services

- ✓ Substitute performance
- ✓ Cost of change

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Porter's Five Forces



Suppliers can exert bargaining power on by raising prices or reducing the quality of purchased goods and services

A supplier group is powerful if:

- ✓ It is dominated by a few companies
- ✓ Its product is unique or at least differentiated

Bargaining power of suppliers

- ✓ Number of suppliers
- ✓ Size of suppliers
- ✓ Uniqueness of service
- ✓ Your ability to substitute
- ✓ Cost of changing

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Porter’s 5 forces model - Overview

**Threat of Substitutes**

The more substitutes available, the less power the firm has to increase their prices.

**Threat of New Entry**



**Supplier Power**



**Competitive Rivalry**

Number of competitors and their threat to the firm. Higher rivalry – less firm power

**Threat of Substitution**



**Buyer Power**



**Bargaining power of suppliers**

How easily can suppliers for the company change prices of their inputs, as well as if the company can easily switch suppliers if needed

**Bargaining power of customers**

The ability of customers to go to competitors or otherwise force the firm to reduce their prices in some ways

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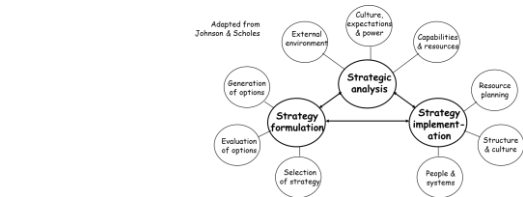
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Porter’s five-force analysis model has a global and profound impact on strategy formulation. Applying it to the analysis of competitive strategy can effectively analyze the customer’s competitive environment.



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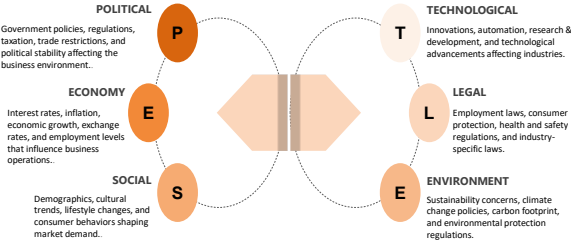
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PESTLE Analysis

The **PESTLE Analysis** is a strategic tool used to analyze external macro-environmental factors that can impact an organization. It helps businesses and researchers assess the broader forces influencing an industry or market.



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Strategy Development Healthcare Business Model Challenge

Apply business strategy principles to design an effective healthcare non-profit model.

Instructions:

- 1 In teams, design a new healthcare non-profit organization:  
Define its mission, vision, and core values.  
Identify funding models and revenue sources (government grants, donors, patient fees).  
Analyze external challenges and competitive pressures using SWOT
- 2 Present your organization's strategic plan and discuss how it will remain sustainable.



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