BUILDING STRATEGIC ALLIANCES THAT WORK

Physician-CEOs should take advantage of collaborations to boost their practices.

BY GREGORY D. PARKHURST, MD, FACS

This past year, I attended the Physician CEO program, which was developed and presented by SurgiVision Consultants in collaboration with the Kellogg School of Management at Northwestern University. The course led to immediate impact on my practice and was transformative in how I view myself both personally and professionally.

The course recognizes that physician–chief executive officers (physician-CEOs) play dual roles. The first is to lead with values, strategy, and purpose, and always to have the good health of patients at the forefront of any decision we make. Truly, only a physician—one who has spent years in medical school, internships, residencies, and fellowships—has the proper perspective on how to put the needs of patients first, whether this applies to complex physiology of glomerular filtration rates or the sensitivity to comfort the family of a grandmother who recently made the decision to enter hospice care. The second role of the physician-CEO is consistent with what leaders of all great companies and organizations do: They increase value for their customers, partners, employees, and shareholders.

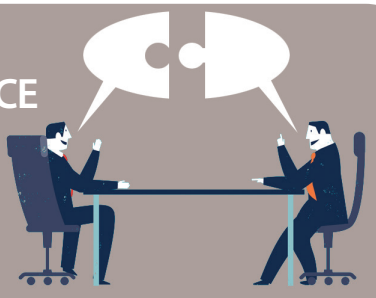
These dual roles are reflected in the choice of the Physician CEO program's logo, a griffin, a legendary creature with the head of an eagle and the body of a lion. Becoming a physician-CEO who embodies these dual roles is the essence of what the program did for me and for my classmates. It also helped me to recognize the potential value physician-CEOs can gain through strategic alliances.

DEFINITION OF A STRATEGIC ALLIANCE

In business, a strategic alliance is a cooperation between two or more independent firms working toward a common objective. It is different from a joint venture, in that a new business entity is not created. Rather, collaboration occurs to accomplish mutual goals while the allied entities remain separate, maintaining distinct individual identities. In strategic alliances, entities collaborate using complementary assets and strengths to create synergy in which the value for customers and their own organizations, created through combined efforts, is greater than the sum of the individual parts.

Alliances typically involve technology transfer, access to knowledge and expertise, economic specialization, shared expenses, and/or shared risk. According to a recent presentation at Columbia University, fast-growing companies are engaged in an average of five different types of strategic alliances at any given time.[1] Creating a successful alliance requires four essential elements, listed below.

ELEMENTS OF A SUCCESSFUL ALLIANCE



1. An alignment of goals
2. A clear understanding of what each partner will contribute to the alliance
3. A commitment from and the ability of each partner to meet the common objective
4. A business relationship built on trust

Conversely, poorly aligned objectives and clashes of corporate culture can result in the failure of an alliance. Expectations should always be realistic and clear, and commitment to the long-term goal without hidden agendas or overdependence on a selected few in the partnership is essential.

SUCCESSFUL ALLIANCES IN OPHTHALMOLOGY

Since my training in the program at Kellogg, I have been involved in building numerous strategic alliances between my organization and others. These include:

- Alliances with independent optometrists who desire to practice in the integrated ophthalmic delivery model;
- Alliances with ophthalmic companies regarding products under development and the need for input, design, and clinical research;
- Alliance with a university seeking to expand its capability to teach the current and future educational needs of its students; and
- Alliance with the Refractive Surgery Alliance (RSA; http://www.refractivealliance.com/).

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COOPERATIVE EFFORTS

The Refractive Surgery Alliance (RSA) recognizes that many myths about refractive surgery exist in the minds of patients, some general ophthalmologists, and other industry providers who do not participate in refractive surgery. This past year, an ophthalmologist who was interviewed on the nationally syndicated television show "Dr. Oz" made the statement that: "LASIK is the one procedure ophthalmologists will not have on their own eyes."

In response, members of the RSA with skills in study design and publication worked together and took immediate action to scientifically refute that assertion. With collaborative effort, we were able to debunk this myth by publishing a peer-reviewed article documenting that ophthalmologists are, in fact, more than four times more likely than the general population to have undergone laser vision correction.[1]

In another cooperative effort, several members of the RSA came together to speak directly to patients through a series of educational videos. The aim of these videos was to answer many frequently asked questions about the relative risks and benefits of refractive surgery. To the best of our knowledge, this was the first time a group of refractive surgeons, many of whom provide services in the same competitive markets, shared resources and worked together in order to provide information on the benefits of refractive surgery via a cooperative effort (Figure 1).

The RSA is also working to change the financial model through which ophthalmology practices acquire the latest technologies and innovations to best serve patients. In the traditional financial model, practices purchase surgical and diagnostic equipment and lasers as a capital expenditure (capex). In many instances, the large investments required can delay practices from upgrading to new technologies. The RSA is working to change the capex model for equipment acquisition to an operator's lease model that provides for so-called *evergreen upgrades*. This model, which creates better alignment with patient interests, is another example of how a strategic alliance of independent refractive surgeons can work together to accomplish a common goal.

Figure 1. Roundtable discussion of refractive surgery by refractive surgeons, funded by members of the RSA and filmed in Dallas, by the Lifestyle Healthcare Channel.

In this example, the RSA is working to replace click fees with a realistic cost structure built into an operator's lease, particularly because most if not all patents on laser design have expired, and the royalty basis for click fees no longer applies. A per-use click fee after the purchase of capital equipment effectively adds a tax to each use of the laser, discouraging its use and presenting a financial disincentive for surgeons to offer small corrections after cataract surgery or enhancements after LASIK, even when patients could benefit. With these factors in mind, the RSA is organizing independent surgeons to leverage economies of scale to work together with manufactures to change the capital equipment model and facilitate growth of the field.

1. Kezirian GM, Parkhurst GD, Brinton JP, Norden RA. Prevalence of laser vision correction in ophthalmologists who perform refractive surgery. *J Cataract Refract Surg*. 2015;41(9):1826-1832.

AT A GLANCE

- Well-designed strategic alliances can accelerate practice growth by reducing costs, distributing risk, testing new strategies, innovating in established industries, and broadening customer bases.
- Training in how to recognize and maximize the value of strategic alliances is available to physicians, many of whom had no formal training in business and strategy during medical school or residency.

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A STRATEGIC ALLIANCE THAT WORKS

Of these alliances, perhaps none has been more impactful than the RSA. This nonequity horizontal strategic alliance is composed of independent refractive surgeons who recognize that global refractive surgery volume has underpenetrated the market relative to the value the procedures provide to patients. The mission statement of the RSA is to grow refractive surgery by growing each member's practice.

RSA members provide similar services and, in many cases, coexist in shared competitive markets. However, the alliance recognizes that, in order to grow refractive surgery, refractive surgeons must work together rather than competing with one another. Further, the alliance holds that refractive surgery has underpenetrated the market not because of a need for better technology, but primarily due to a need for better messaging and education.

The RSA, founded 3 years ago and now approaching 100 members worldwide, is a classic example of a strategic alliance that is working. It has identified several goals that must be addressed to grow the market, and it builds on the varied expertise of its members to accomplish these mutual goals (see *Cooperative Efforts*).

The RSA recognizes that the total number of well-trained refractive surgeons must increase. Physician education in refractive surgery has largely been deemphasized in ophthalmic residencies. Most refractive surgery training occurs during fellowships, many of which are heavy in corneal pathology but lighter in clinical training for elective refractive surgeries such as laser vision correction, phakic IOL implantation, and presbyopia-correcting procedures including corneal inlays and refractive lens exchange.

To address this need, the RSA is developing a refractive surgery fellowship network in which surgeons will build expertise in clinical, theoretical, technical, research, and business skills. The program will include an online didactic component offered through a European university—another strategic alliance. The RSA fellowship network program will also provide in-person, on-site access to refractive surgery training through clinical modules with experienced mentors around the world. Additionally, the fellowship will provide business training and exposure to necessary skills in entrepreneurship, finance, and marketing, all of which are particularly applicable to elective medical specialties such as refractive surgery.

PREMIER PRACTICE SHOWCASE

One medium through which the RSA provides education is by holding a yearly meeting on-site at a member's practice. Last year's RSA Premier Practice Showcase event occurred at Vance Thompson Vision in Sioux Falls, South Dakota. Surgeons Vance Thompson, MD, and John Berdahl, MD invited other RSA members from the United States, Europe, and South America into their practice to discuss topics including the strategies in development in practice culture, physical plant design, clinical operations, hiring and marketing strategies, and mix of products and services. It was a transformative meeting that led many of the participants to say it was the most educationally impactful meeting they had ever attended.

This June, the showcase will be at Hoopes Vision in Draper, Utah. Preparations have been under way for weeks, and topics for discussion will include business strategies for call center operations, introducing new services and procedures into an established product mix, and internal and external marketing strategies.

CONCLUSION

Well-designed strategic alliances provide benefits to those involved in the alliance by reducing costs, distributing risk, testing new strategies, innovating in established industries, and broadening customer bases, all of which can accelerate practice growth. Chances are, most physicians who provide business leadership within their organizations are already using strategic alliances in which all participants are benefiting in some way.

Training in how to recognize and maximize the value of strategic alliances is available to physicians, many of whom had no formal training in business and strategy during medical school or residency.

I would encourage all physicians to recognize their position as physician-CEO and take the lead in their practices, not only to increase value to stakeholders but because physicians have arguably the best perspective to do so while always keeping patient interests first. ■

1. SlideShare website. Mohammed Khalifa Ibrahim: International Marketing. http://www.slideshare.net/levi22usa/strategic-alliances-11716724. Accessed April 12, 2016.

Gregory D. Parkhurst, MD, FACS
■ Cataract and Refractive Surgeon/Physician-CEO, Parkhurst NuVision, San Antonio, Texas
■ gregory.parkhurst@gmail.com
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