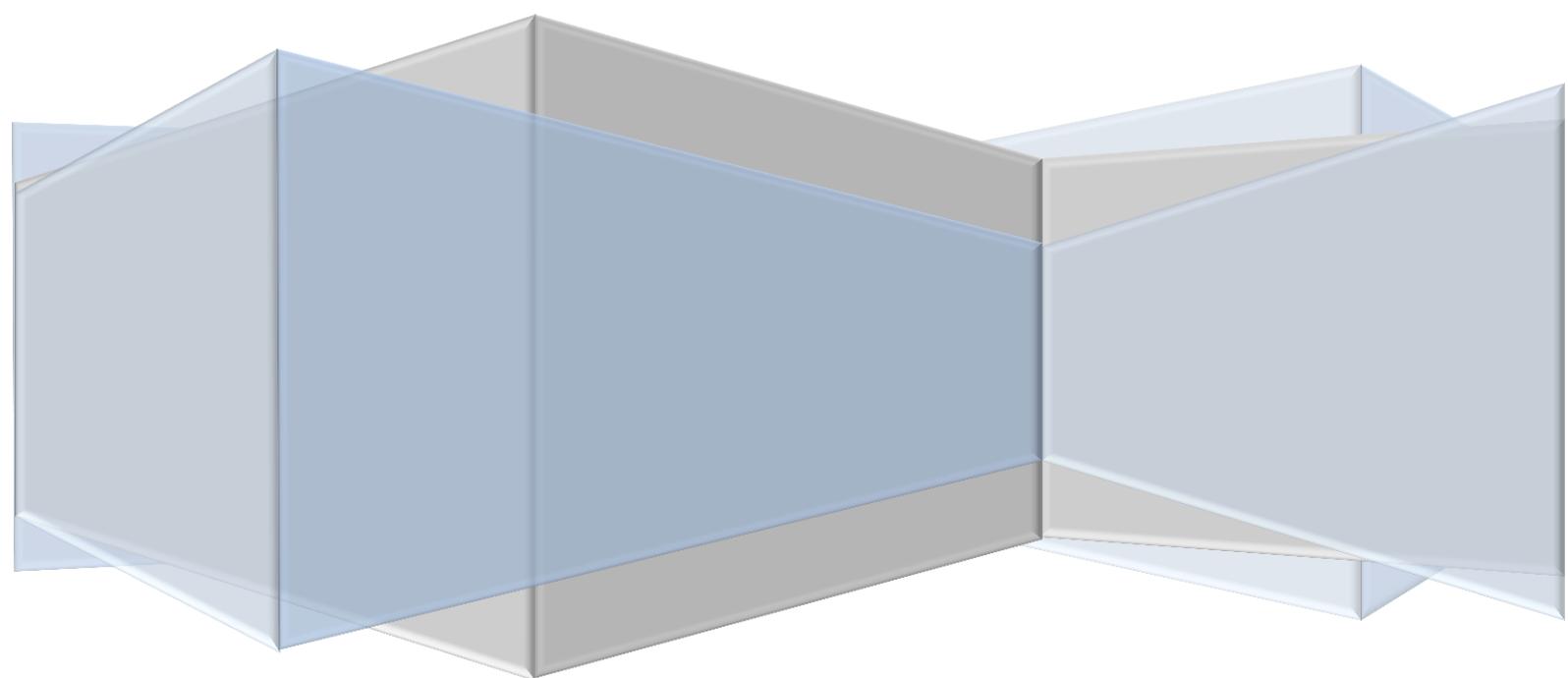


## **Topic: Scenario Planning**

### **The Next 10 Years: Implications for Catholic Sector Collaboration**

**Presenter: Tony Howarth, Chair SJGHC Board**

*CHA Conference Brisbane Tuesday 26 August 2014*



## 1. Start with a Story!

- An important part of the history of Western Australia is its exploration by Dutch explorers in the 17<sup>th</sup> century.
- In 1697, almost 100 years before Governor Arthur Philip landed in Sydney Cove, the Dutch explorer Willem de Vlamingh sailed into, and named, the Swan River on what was the western coast of New Holland.
- De Vlamingh observed something hitherto thought to be impossible: the swans on the Swan River were black!
- For 1500 years prior to de Vlamingh's discovery, the Black Swan existed in the European imagination as a metaphor for that which did not exist.
- In 2001, Nassim Nicholas Taleb developed what is known as the Black Swan theory or theory of Black Swan events. This theory is a metaphor that describes an event that comes as a surprise, has a major effect, and is often inappropriately rationalised after the fact with the benefit of hindsight.

- Taleb developed the theory to explain:
  - i) The disproportionate role of high profile, hard to predict and rare events that are beyond our normal expectations
  - ii) The non-computability of the probability of rare events
  - iii) The psychological biases that make people individually and collectively blind to uncertainty
  
- We are conscious that Black Swan events can and do occur in the health sector and there is at least a possibility of one occurring in the next 10 years. Is the Catholic health and aged care sector adequately prepared for a Black Swan event?

## **2. SJGHC Undertook Scenario Planning to Develop its Latest Five Year Strategic Plan**

- I want to share with you this morning some of the findings which emerged from the recent reset of St John of God Health Care's 5 year strategic plan.
  
- Our planning cycle starts with the Trustees, in consultation with Board and Management, reviewing the "Our Vision" document which makes clear the "Mission, Vision and Values" under which we progress our

ministry. In this document the Trustees identify 5 Key Result Areas (KRA'S): Culture; Excellence in Care; Excellence in Governance and Management of Resources; Formation and Leadership; and Social Justice. It establishes the guiding principles within each KRA as well as expected outcomes (measurable objectives).

- With our previous 5 year strategic plan at an end, for this planning cycle SJGHC decided (for the first time) to undertake formal scenario planning with the idea that the strategies we develop ought derive from consideration of the scenarios that may confront us.
  
- We found an eminent Scottish academic, Professor Peter McKiernan, to lead us through the process. He had led over 200 scenario planning exercises for businesses, not for profits and Government instrumentalities in various jurisdictions around the world.
  
- Our scenario planning process took 12 months and included:
  - i) 30 detailed interviews of key external and internal stakeholders
  - ii) A comprehensive literature search
  - iii) A Delphi technique review of a vertical slice of 60 or our staff

iv) A two day workshop involving all our Trustees, Board and senior executives

- The Board and I are absolutely sure that the Strategic Priorities we have developed, and the granular outcomes we have identified to be achieved by 2019, would not have been developed without the comprehensive and thoughtful approach to scenario planning that we undertook. We would definitely have missed things we now believe are clearly on our horizon. We would have had less understanding of key triggers for change.

### 3. Strategic Drivers

- One of the first things we did, armed with all the information from the interviews and literature search, was to identify what we believed to be the 12 most important strategic drivers across our industry sectors over the next 10 years.
- We then ranked these 12 by importance and by degree of certainty
- The two drivers we ranked equally most important were:

- i) Increased ageing of the population – this will have significant impact on demand for our services and on labour force availability.
  - ii) Governments (Federal and State) won't have enough money. As people are well aware, Australia has a long term structural budget deficit.
- It was no surprise the Federal Budget has set the scene for a significant rethink of Federal/State relations, sources of income and approaches to expenditure.
- Four other critical strategic drivers we identified were:
  - iii) Significant increase in the use of technology, with very little certainty as to how this will play out
  - iv) Inevitable labour shortages, in large part due to the number of baby boomers leaving the workforce and the shortage of young people entering the workforce
  - v) Increased competition across all our sectors, including through Consumer Directed Care and also through new entrants and models of competition.

vi) Increased consumer expectations, in large part fuelled by easy access to increasing amounts of consumer friendly information via technology, and also increased consumer co-pays because .....Governments (and health funds) won't have enough money!

- Let me show you a short YouTube video that emphasises the widespread uptake of technology.

[Internet baby clip](#)

- As you can see from the clip, it is inevitable that expectations by young people of technology will grow exponentially, as will opportunities and threats to existing business models.

#### **4. Four Scenarios we've developed**

- Using the strategic drivers we developed four different scenarios
- Each of these was carefully developed to be plausible, coherent and internally consistent
- We figured if we looked at four very contrasting scenarios we will in future be less likely to be confronted by a Black Swan moment! Or

perhaps just quicker at identifying it and responding.

- Interestingly, we found our various service segments were presently in different scenarios. For example our St John of God Accord intellectual disability services are presently low tech and low competition but the National Disability Insurance Scheme will introduce significant competition and require significant investment if we are to remain an active player or to grow.
  
- Conversely, our pathology service is already in an ultra competitive and high technology environment where further ongoing investment in technology will be required just to survive.
  
- There were many learnings across the four scenarios but in my view three consistent themes emerged:
  - i) We will need to significantly ramp up our investment in delivering information, through use of information technology, as under any of our scenarios we will not have a sustainable operating model unless we do

- ii) We will need to actively engage, in a much deeper way, with other participants in the Catholic sector, not just those represented by the membership of CHA. Without this we won't be able to defend against threats or take advantage of opportunities.
- iii) We will need to become very agile, anticipating and responding quickly to inevitable changes in our operating environment. This is not always easy in a large and growing organisation, nor in any Church ministry.

## **5. Our Collective Need to Collaborate More**

- I would like to focus the remainder of my talk on my thoughts about Catholic sector collaboration:
- I feel strongly that Jesus' mission for health care is based on the principle of co-responsibility – that is for us as leaders we are all responsible for the strength and success of Catholic Health Care. The strategies for achieving co-responsibility are co-operation and collaboration.

### ***Threats***

- We are living in an increasingly secular world. There is less respect for any Church and, frankly, there are difficulties for Catholic Church agencies at this time with the Royal Commission having at least three

more years to run

- In a secular world there will be increasing arguments for separation of Church and State. This will make it harder to maintain existing public contracts and very much harder to win new ones.
- Whilst “brand Catholic” is tarnished we will find it harder to engage with and influence Governments, as well as public opinion.
- If we added up the net assets of every organisation represented in this room, we would not match up to the market capitalisation or balance sheet strength of Ramsay Health Care, which, by the way, now runs 226 facilities totally 26,000 beds in four countries, has a market capitalisation of \$9 billion, and has an aggressive growth agenda.
- We don't have access to the share market
- We have limited borrowing capacity

- And dare I say it, not all the organisations represented in this room have sustainable operating models which will allow them to invest in facilities, technology and service growth
- The Catholic sector has obvious threats from the for profit sector in areas like hospitals and pathology. In addition it is increasingly under threat in aged care, community care and social service areas.

### *Opportunities*

- The Catholic health and aged care sector has a great tradition of service. It is already highly regarded.
- It also has a wonderful footprint covering every State and Territory
- It has been quite expansionary over the last decade and many of its larger organisations have developed sustainable operating models and have actively and successfully grown.
- Working together, and with other agencies in education and social services, we could win any major public tender that a Government may

announce.

- Working together we can develop innovative funding models that will leverage our existing capital and increase our options.
- Working together we can succession plan and form our future leaders at Trustee, Board and executive level.
- Working together we can further improve our operating and capital efficiency and productivity.
- Working together we can be more dynamic, agile and responsive through improved environmental scanning and sharing of information.
- Working together our voice is stronger and more able to accept the challenge Fred Chaney gave us yesterday when talking about those marginalised and oppressed in our society.

## **6. What if we don't Collaborate More?**

- Charles Darwin's theory of Natural Selection remains the primary explanation for adaptive evolution: paraphrased as "survival of the

fittest”.

- If the Catholic sector does not adapt, including finding ways to partner more deeply, then our sustainability will be significantly challenged
- No company or organisation can survive or prosper without adapting.
- The Catholic sector will become less relevant and less capable if we don't quickly move to new ways and areas of collaborating.
- Some agencies will survive, perhaps grow and expand. Most won't. The world does not owe us a living.

## **7. Conclusion**

- I believe the Catholic health and aged care sector is under threat from both outside and within. We are as a sector going to be susceptible to major changes in our environment, including Black Swan moments, especially if we are not in strong financial shape, if we have not made the requisite investments in facilities, technology and equipment, and if we have not forged deep and innovative partnerships and accepted that

we do have co-responsibility for the Catholic Health Care system as a whole.

- I have been on the Board of SJGHC for 13 years, Chairman for 11. Prior to that I was involved with one of the Catholic Development Funds as an advisor. I would hate to see this wonderful sector diminish and our voice weakened in critical public debates in areas such as social justice and health. I would much prefer to put my shoulder to the wheel and do my bit in my remaining years on the SJGHC Board to help the whole sector develop sustainable models for operating, engaging, influencing, partnering and evolving.
- This is a very timely CHA Conference and I am pleased to be here. I am looking forward to catching up with Trustees and Board Members of CHA and other Agencies. We need to have good conversations and build strong relationships. We need to look for mechanisms and opportunities to take forward our jointly shared responsibility of ensuring that the Catholic Health Care Ministry continues to grow and remains vibrant and sustainable.

- I can say on behalf of SJGHC that we value our current relationships in the sector, that we want to build on them and we are up for exploring any bright or innovative ideas our sector colleagues may have.
- Thank you for giving me your time this morning.