

Modular Business Design

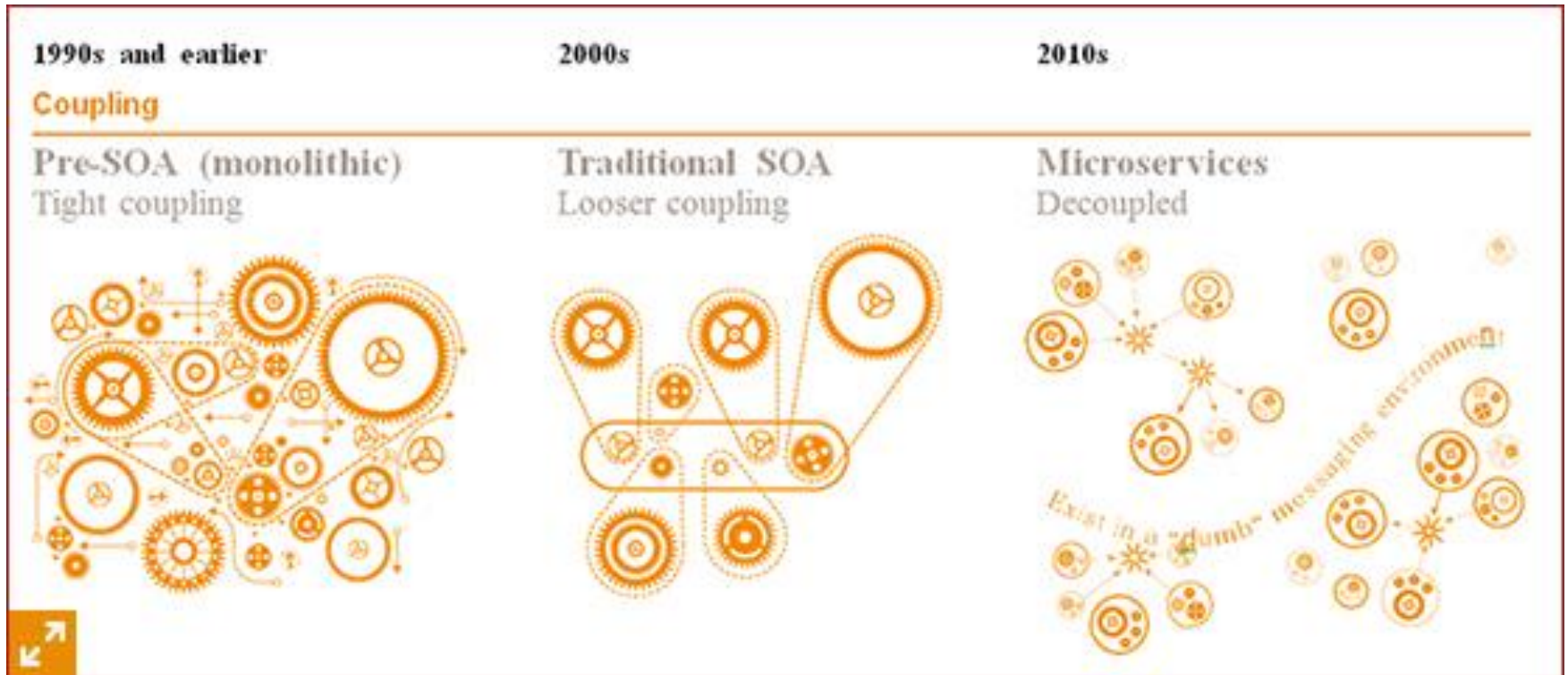
December 1st, 2016

- Define: Modular Business Design
- Explore Three Premises with You
- Share Industry Examples
- Discuss Design Principles
- Discuss How to Get Started
- Risks & Implications
- Q&A

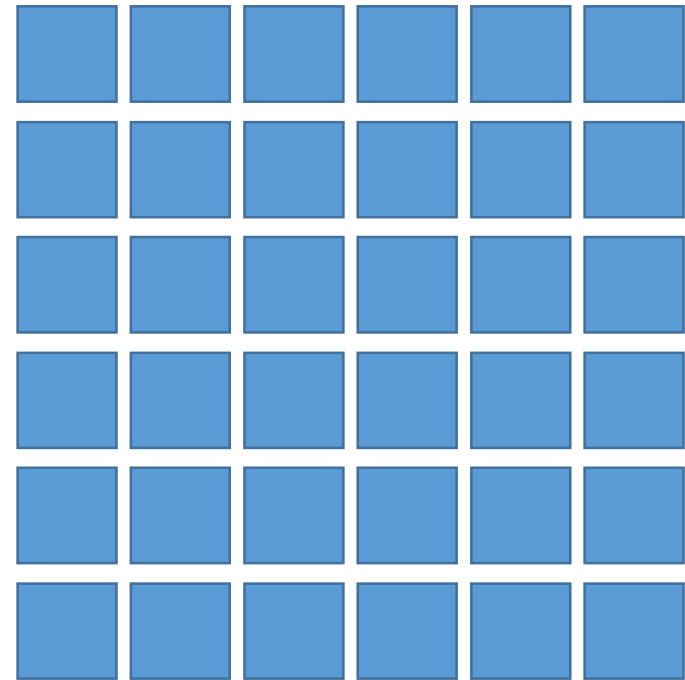
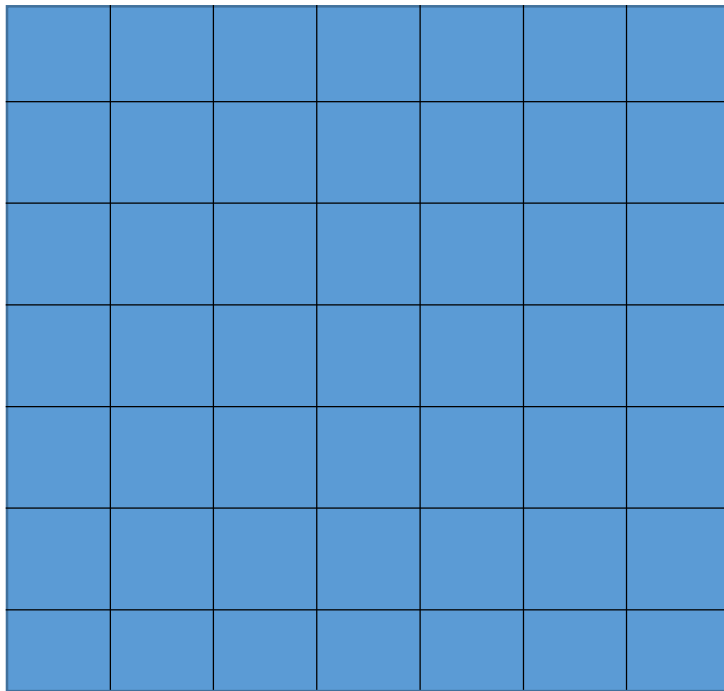
Modular design is a design approach that subdivides a system into smaller parts called modules that can be independently created and then used in different systems. A modular system can be characterized by functional partitioning into discrete scalable, reusable modules, rigorous use of well-defined modular interfaces, and making use of industry standards for interfaces.

Definition of Modular Design





1. Modular design can be an alternate for integrative design



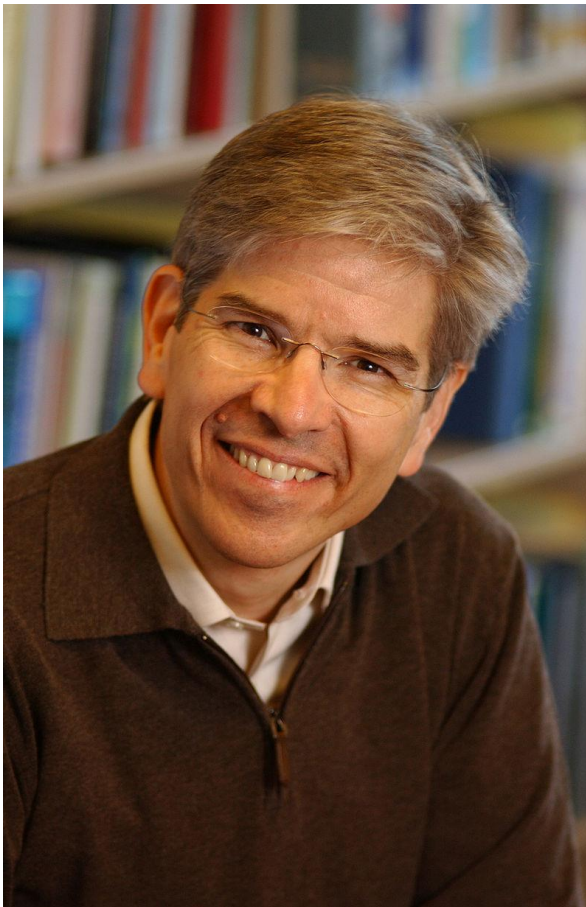
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2. Value comes from remixing



“Economic growth occurs whenever people take resources and rearrange them in ways that are more valuable.”

-Paul Romer

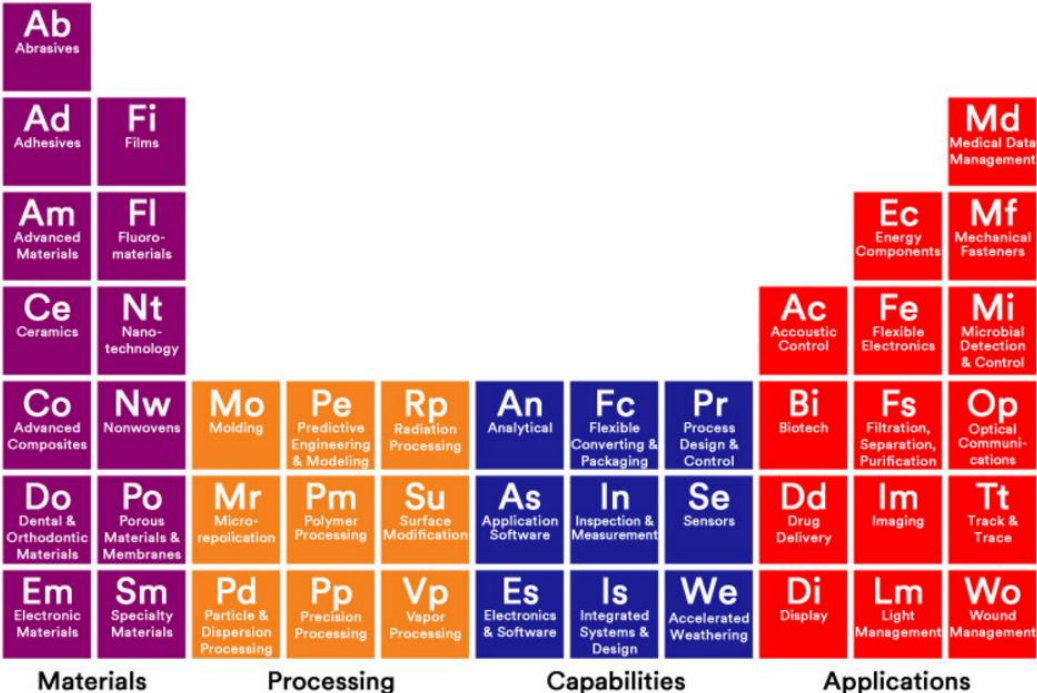
2. Value comes from remixing



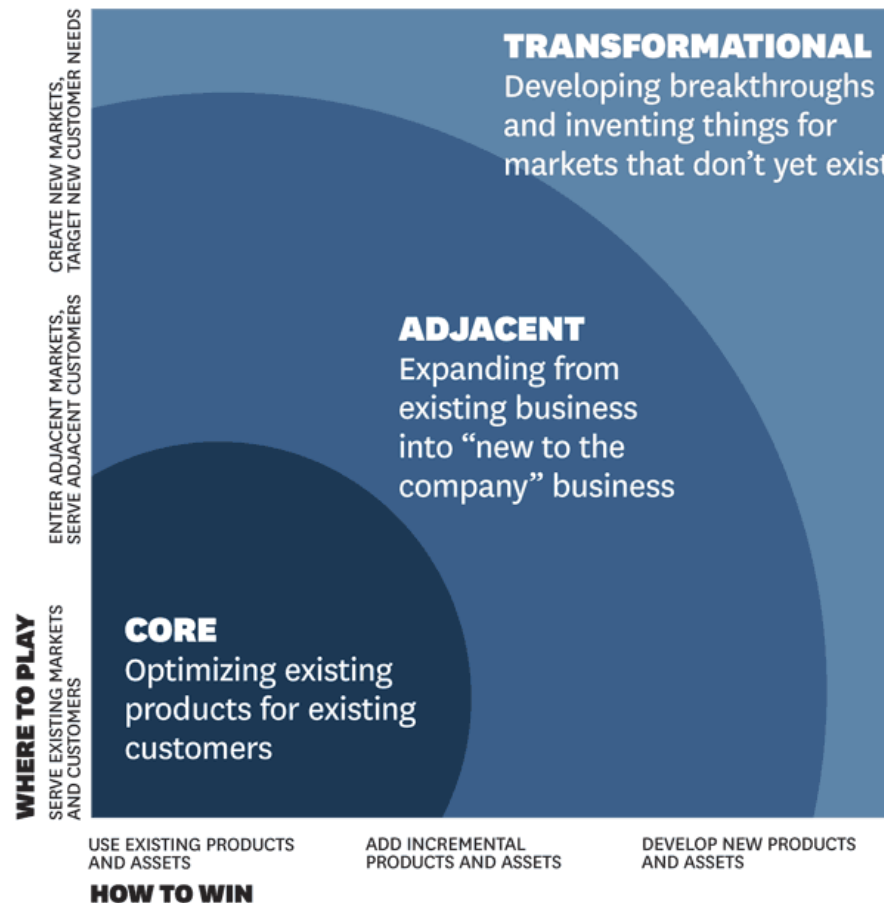
2. Value comes from remixing

3M Technologies

Explore 3M's core technologies to see how our ideas live on, in connection with others, to help solve problems around the world.



3. New or adjacent business models need to be insulated from the core



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dunnhumby

3M

SUPERVALU

Google

- **Design for monetization**
- **Design with clear process handshakes**
- **Design with flexible technology architecture (APIs)**
- **Design with open data / data availability**
- **Design for autonomy so that purpose is not “hard coded”**
- **Design for open culture (hallocracy vs. tops-down)**
- **Build special sauce, buy commodity**
- **Test and learn before going big**

- 1. Think in terms of fungible capabilities vs. hard-coded processes**
- 2. Inventory and assess your business capabilities**
- 3. Identify where you may be best-in-class**
- 4. Understand the market attractiveness**
- 5. Define the potential business model (e.g., via the Business Model Canvas)**
- 6. Understand your core Value Proposition**

How to Get Started: Step 1) Think in terms of fungible capabilities

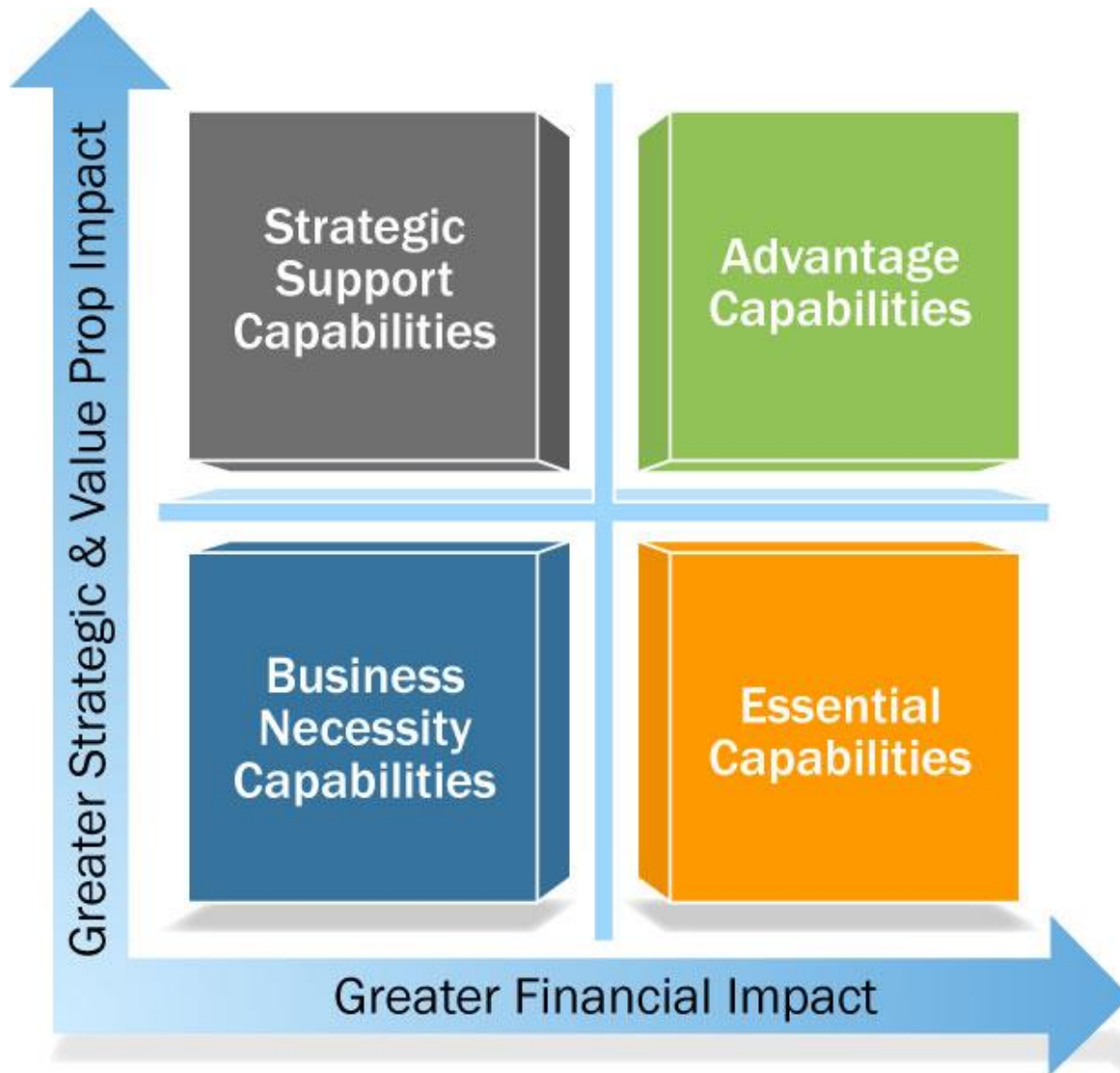


How to Get Started: Step 2) Inventory and assess your business capabilities

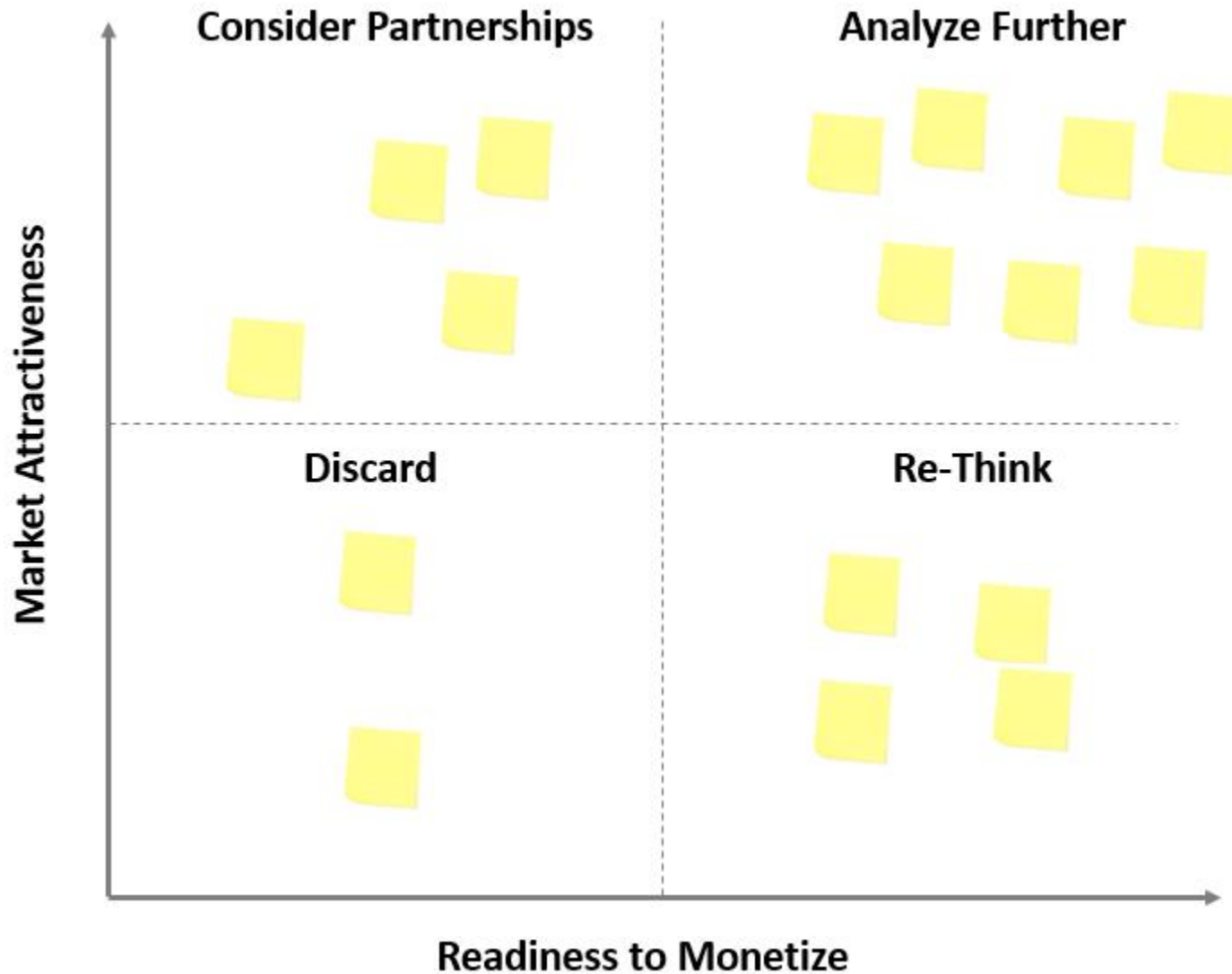
Business Capabilities Map

Products	Sales	Marketing	Member Mgmt	Provider Network Mgmt	Health Care Mgmt	Claims Processing	Customer Service	Finance and Regulatory	Support Business Functions	Pricing & Risk	Member Tech
Benefit Management	Broker Programs	Customer Communication	Group And Broker Service	Network Development	Care Management	Claim Adjudication	Member Service	Accounting	Administrative Services	Alternate Funding	Enterprise Architecture
Contract Development	Commercial Sales	Lead Management	Group Installation	Network Management	Community Health Management	Claim Adjustment	Provider Service	Accounts Payable And Receivable	Business Analytics	Community Rating	Application Development
Filing And Regulatory Approval	Customer Communication	Prospect Management	Member Enrollment Management	Interplan Network Management	Disease Management	Claim Receipt	Broker Service	Actuarial	Contracts And Procurement	Experience Rating	Infrastructure Support
Product And Pricing Strategy	Government Sales	Campaign Management	Member Management	Pharmacy Admin	Healthcare Policy Management	Claim Triage	Group Service	Budgeting And Forecasting	Corporate Admin	Healthcare Risk Adjustment	Portfolio and Demand Management
Product And Service Development	Renewal Management	Customer Data Management		Provider Operations	Medical Utilization Management	Claim Workflow		Claims Based Billing And Invoicing	Corporate Communication	Rating And Underwriting	Project Management
Product Lifecycle Management And Implement	Sales Operations	Loyalty Management		Provider Pricing	Quality Health Informatics	CPL And COB Processing		Collections	Document Services	Risk Management	Information Security
Product Management	Sales Performance Management	Marketing Analytics		Provider Quality Management	Wellness	Reimbursement And Notification		Payments Premium Reconciliation	Human Resources		Data Management and Integration
		Marketing Resource Management		Provider Reimbursement Support				Reserve Management	Quality And Data Governance		
				Provider Relations				Taxation	Telecom		
								Treasury			

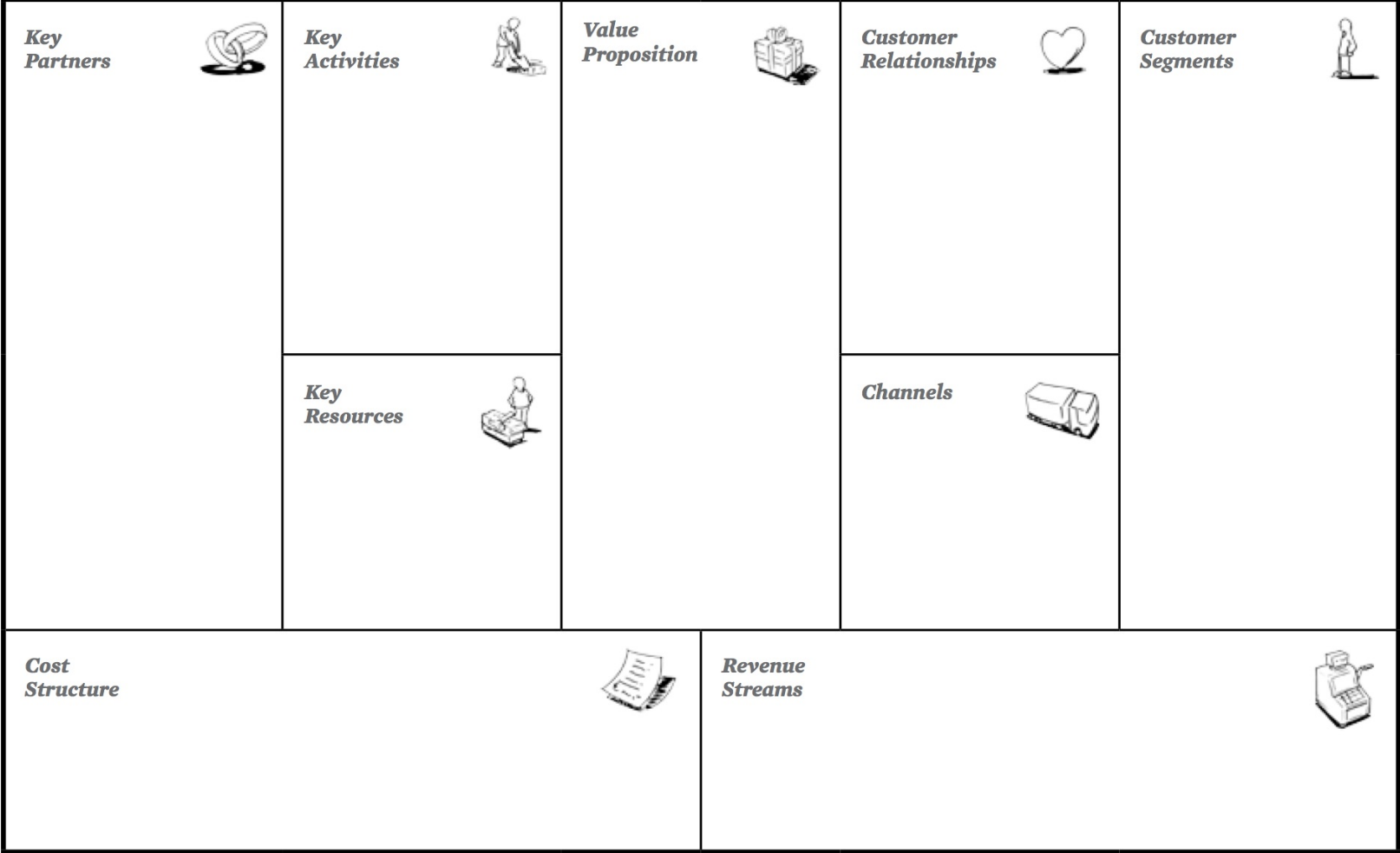
How to Get Started: Step 3) Identify where you may be best-in-class



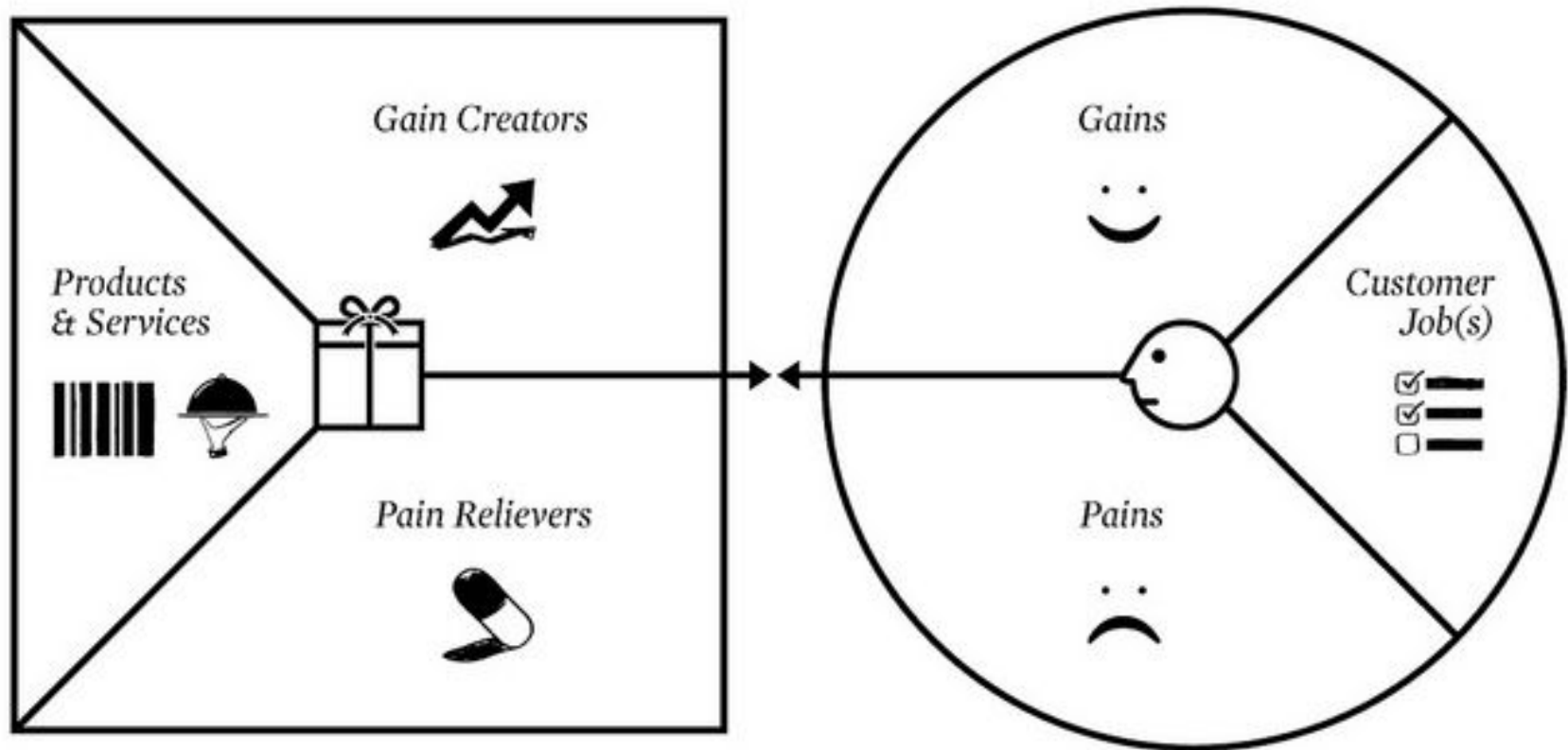
How to Get Started: Step 4) Understand the market attractiveness



How to Get Started: Step 5) Define the potential business model



How to Get Started: Step 6) Understand your core Value Proposition



- **Operating Model:** the modules become the new company
- **Broader Perspective:** think core + adjacent
- **Culture Shift:** operating in new or adjacent businesses
- **Cloning vs. using Same:** Can I use as-is? Do you I need to clone and go?
- **Accepting the Inevitable Trade-offs:** be ready to learn, be ready to lose focus on the core

