The Business of Better Health
A Roadmap for a Federated Business Model

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Director Support Certifications
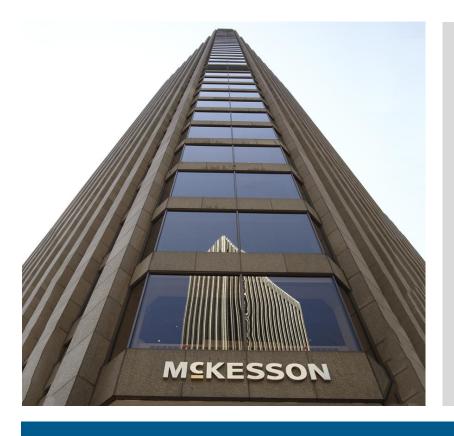
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BUSINESS
CARE
CONNECTIVITY

Business Model Spectrum

Complexity / Diversity

Business Model	Typical Indicators	Typical Growth	Typical Variability	Typical Customer Experience	Typical Customer Behaviors
Single	•Single P&L •Single service delivery point	New products & features	•Multiple products •Product complexity •Product quality	•Support executive sponsorship •Integrated company •Clear contact point	•Follows processes •Responds to surveys •Individual partnership •Loyal (customer intimacy)
Federated by Business Function	•Stratified P&L •Some service diversity	•Acquisition onboard into existing model •New products & features	•Multiple products •Product complexity •Product quality	•Support executive sponsorship •Integrated company •Clear contact points	•Follows processes •Responds to surveys •Individual and company partnership •Loyal (partnership)
Federated by Product Family	**•Multiple P&L •Diverse service models**	**•Acquisition with disparate models •New products 7 features**	**•Multiple products •Product complexity •Product quality •Tools •Practices •Terminology •Metrics •Service Delivery**	**•Multiple sponsors •Non-integrated company •Service variability •Less clear contact points**	**•Develops favorites •Quick to escalate •Go dark on surveys •Loyalty less focused and C-suite leaning**

McKesson at-a-Glance

America's oldest and largest healthcare services company

- Founded in 1833

- Ranked 14th on *Fortune's* list with $122.7 billion in revenues

- Headquartered in San Francisco

- More than 37,000 employees

- Two segments: Distribution Solutions and Technology Solutions

Together with our customers and partners, we are creating a sustainable future for healthcare. Together we are charting a course to better health.

Helping Our Customers Achieve Better Health on Three Dimensions

Unified by Our Shared Values

Better Health for the Communities We Serve

We strongly believe that making investments in our people and our community is good for business and the communities where we live and work.

- McKesson Foundation — $5 million annually on the fight against cancer

- Employee volunteerism and company matching

- Focus on environmental sustainability

- Diversity as a business imperative

Business Model Spectrum

Complexity / Diversity

Business Model	Typical Indicators	Typical Growth	Typical Variability	Typical Customer Experience	Typical Customer Behaviors
Single	•Single P&L •Single service delivery point	New products, features & services	•Multiple products •Product complexity •Product quality	•Support executive sponsorship •Integrated company •Clear contact point	•Follows processes •Responds to surveys •Individual partnership •Loyal (customer intimacy)
Federated by Business Function	•Stratified P&L •Some service diversity	•Acquisition onboard into existing model •New products, features & services	•Multiple products •Product complexity •Product quality •Shifting culture •Acquired customer on boarding	•Support executive sponsorship •Integrated company •Clear contact points	•Follows processes •Responds to surveys •Individual **and** company/brand partnership •Loyal (partnership)
Federated by Product Family	**•Multiple P&L** **•Diverse service models**	**•Acquisition with disparate models** **•New products, features & services**	**•Multiple products** **•Product complexity** **•Product quality** **•Tools** **•Practices** **•Terminology** **•Metrics** **•Service Delivery**	**•Multiple sponsors** **•Non-integrated company** **•Service variability** **•Less clear contact points**	**•Develops favorites** **•Quick to escalate** **•Go dark on surveys** **•Loyalty less focused and C-suite leaning**

Leadership Positions in Both Segments

Distribution Solutions

- #1 pharmaceutical distributor in U.S. and Canada

- #1 generics distributor

- #2 in specialty distribution and services

- #1 in medical-surgical distribution to alternate care sites

- 2,900+ Health Mart retail pharmacy franchisees

- Comprehensive retail information systems and automation offerings

Technology Solutions

- Serve 52% of all U.S. hospitals

- Leader in clinical, revenue cycle and resource management solutions

- Leading RelayHealth claims processing and connectivity business

- 200,000+ physician customers

- #1 in hospital automation

- #1 in medical management software and services to payers

Managing Complexity & Diversity

Product Variability / Acquisitions (vertical axis)

High

- **Acquisition on-boarding to existing service model**
- **Consistent approach with product documentation, release, training, implementation methodology, & diagnostic tools**

- **Acquisition on-boarding to corporate functions (HR, Legal, Finance)**
- **Approach with product documentation, release, training, implementation methodology , & diagnostic tools evolve within product suite**
- **Asset variability is a given**
- **Service channels are plentiful and variable**
- **Fragmented Support executive sponsorship**
- **Support Governance/Program Management Office (PMO) Program contrary to GM will/P&L**
- **Strategy, terminology, metrics, and dashboards vary**

Low

- **Well defined service channel**
- **Change management is deliberate**
- **Service workflows are established and outcomes are predictable**
- **Partners are accessible**
- **Implementation and release processes are agile and village oriented**
- **Business collaborates with Support**
- **Culture is entrepreneurial**

- **Well defined service channels**
- **Support Executive Sponsorship**
- **Support Governance/PMO Program**
- **Common strategy, terminology, metrics, and dashboards**
- **Drive to standardize processes and tools**
- **Drive to minimize asset unpredictability**

Low   **High**

Tools & Practices Variability

Managing Complexity & Diversity

Acquisition	Approach	Variability	Channels	Fragmentation	Governance	Strategy

SITUATION: *Acquisition on-boarding to corporate functions (HR, Legal, Finance)*

CHALLENGE: *Acquired businesses will not undergo transition of Support processes*

SCP Program

- Provides comprehensive road map regarding our collective business definition of World Class

- Benchmarked against industry and each other

- When acquisition lands in business with SCP program participants - SCP is used to guide their transition to established processes, programs and measures

- When acquisition retains independence - SCP provides a roadmap of what processes, programs and measures are expected

Managing Complexity & Diversity

Acquisition	Approach	Variability	Channels	Fragmentation	Governance	Strategy

SITUATION:	*Approach with product documentation, release, training, implementation methodology , & diagnostic tools evolve within product suite*
CHALLENGE:	*Support centers interacts with multiple R&D, Professional Services, Third Parties, and Sales organizations; diversity by default*

SCP Program

- Guides Support to expect the same interaction with all partners

- Provides specific elements to consistently address partner interactions

  - 10.0 Research and Development Interface (11)

  - 11.0 Sales and Services Interface (9)

  - 6.02 Documented Service Levels with Critical Suppliers

  - 7.12 Multi Vendor Escalations and Alliances

  - 7.14 Transition to Support

- Enables Support to take the lead in defining customer focused interactions

Managing Complexity & Diversity

Acquisition	Approach	Variability	Channels	Fragmentation	Governance	Strategy

SITUATION: Service a*sset variability is a given*

CHALLENGE: *Multiple service delivery tools ; Profitability drives "have and have-not"; off-the-shelf/home grown mix*

SCP Program

- Defined tool set

  - CRM, Knowledge, Business Intelligence and Service Channels

- Definition of "customer facing" service

- Provides an industry view on what the tool set looks like and best practices

- Influences decisions about tool adoption and standards

Managing Complexity & Diversity

Acquisition	Approach	Variability	**Channels**	Fragmentation	Governance	Strategy

SITUATION:	*Service channels are plentiful*
CHALLENGE:	*Multiple service modalities (phone, portal, chat, email, social); customer experience varies across centers; channel maturity varies*

SCP Program

- Defines what a service channel is, and what world class looks like:

  - Meeting service level targets

  - Responsive / Effective

  - Measurable

- Drives channel consistency across McKesson enterprise

Managing Complexity & Diversity

Acquisition	Approach	Variability	Channels	Fragmentation	Governance	Strategy

SITUATION:	*Fragmented executive sponsorship for Support*
CHALLENGE:	*Executive leadership is in the Business Unit; success measured by General Manager yardstick*

SCP Program

- Planning and Strategy elements clearly laid out

- Executives often present or participate in the audit of those elements

  - Influenced by the experience

  - Influenced by the auditors' feedback, both verbal and written

  - Having a common experience

- Executives in certified centers speak to each other in the same language of SCP

![McKESSON]

Managing Complexity & Diversity

Acquisition	Approach	Variability	Channels	Fragmentation	Governance	Strategy

SITUATION:	*Support Governance/PMO Program contrary to General Manager will/P&L*
CHALLENGE:	*BU Support centers influenced by GM's plan; PMOs generally have a weaker position within the BU; PMO's come and go*

SCP Program

- PMO programs may come and go but the SCP criteria is influencing the work

- In the absence of PMO programs ,SCP provides a consistent road map for all

- Larger BU's create PMO roles and SCP influences the work

Managing Complexity & Diversity

Acquisition	Approach	Variability	Channels	Fragmentation	Governance	Strategy

SITUATION:	*Strategy, terminology, metrics, and dashboards are variable*
CHALLENGE:	*Variability tends to be low within product line business, but very high across the enterprise*

SCP Program

- Targeted Strategies

  - Strategic plans developed by certified centers

  - Use audit feedback and benchmarking results to understand what strategies will keep them competitive

  - Top down strategies tie well into support strategies – link is understood

- Although sometimes bilingual, single SCP language is spoken

- A common set of industry metrics presented in the SCP program

- Dashboards mature to world class quality and drive smart operational decisions

Managing Customer Experience

Acquisition	Approach	Variability	Channels	Fragmentation	Governance	Strategy

SITUATION: *The customer experience is more consistent and at world class levels*

CHALLENGE: *Perfection is not an option*

SCP Program

- The work is never done
    - There will always be acquisitions
    - Reality checks at play
    - Change is constant
- Support leaders network across the BU's
- The SCP program provides external inspection and comparison to industry
- SCP has become a culture not a program
- We are all on the same road providing ***customer service excellence e***veryday

In Business For Better Health