Scenarios of the future: The evolving veterinary practice

Jim Austin
Principal, Decision Strategies International, Conshohocken, PA 19428
jim.austin@decisionstrat.com

Introduction

Looking back, US agricultural industries changed dramatically over the past decade. Given mounting political, social, technological and economic pressures, it is safe to assume not only that change will continue, but could even increase in rapidity. Looking forward then, how will future veterinary practices succeed? For example, how will vets respond if:

• States, facing ever-increasing budgetary shortfalls, effectively eliminate enforcement of their veterinary practice acts?
• New technologies, administered by non-DVMs, replace current practices?
• Large-scale corporate ownership of dairies outpaces the current rate of consolidations in the poultry, swine and feedlot industries, with these mega-operations employing their own veterinarians, foreign and domestic?

Good strategies seek “sustainable competitive advantage”, as Michael Porter outlined in the 1970s. While any business can meet short-term needs by cutting costs, reducing offerings or playing cash management games such as extending accounts payable while driving ever more stringent accounts receivable terms—these are at best short-term responses to changing markets or increasing competition. More to the point, strategies that succeed over the long-term answer 2 questions:

• Where to Play: what markets, channels, geographies are we focusing on?
• How to Win: within those target markets and segments, why will anyone choose us over the competition?

Players in all markets struggle with these questions. For example, Cisco in April 2011 closed down its Flip video business—an operation it bought a mere 2 years earlier for $590 million—in order to “align operations in support of our network-centric platform strategy,” according to John T. Chambers, Cisco’s chief executive. As reported laconically by the New York Times, “Even in the life cycle of the tech world, this is fast.”

What could really change in the future? And are we ready to respond? As Nassim Taleb asks in his provocative book, Black Swan, just because we have not seen a black swan does not mean they do not exist...and unfortunately, those “unforeseen” events are just what really challenge the likelihood of ongoing survival and prosperity. When looking forward and trying to understand where to focus and how to win, as Jeff Bezos, CEO of Amazon, said, “There is a tendency for executives to think that the right course of action is to stick to the knitting—stick with what you are good at. That may be a generally good rule, but the problem is the world changes out from under you.”

Scenario Planning

Failures of strategy are too often failures to anticipate a reality different from what we are prepared or willing to see. So how best to challenge “prevailing wisdom” and assess emerging opportunities and threats? One tool is Scenario Planning.

Scenarios are portrayals of a series of plausible alternative futures. Each scenario tells a story of how various forces might interact under certain conditions. They are designed to open up new ways of thinking about the future, providing a framework for strategic dialogue—new questions, new conversations—as the basis for strategic action. Scenarios are not a prediction or forecast; rather, they seek to create a reasonable range of “future worlds” that allow for testing the risks and rewards of current direction.

Case Example: Scenarios of the Future for Veterinary Practices?

Veterinary practices in most areas of the US face ever-increasing challenges with the evolution of domestic livestock and dairy industries. As an example of how scenarios can help strategy decisions for veterinarians specifically, below is 1 possible range of futures for large and small veterinary practices in the US. Even though there are literally thousands for potential futures, 2 major uncertainties that will certainly affect the growth potential for veterinary practices are regional agricultural economies as well as the level and type of veterinary medical services. These 2 uncertainties—Regional Ag Economy and Medical Services—“frame” 4 potential futures, as illustrated below.

Scenario A, for example, would be similar to today’s environment, projected forward into 2020. However, Scenario D, possibly the most challenging to current veterinary practices, outlines a diminished economic environment for dairy or other livestock operations and much more competitive, low-cost medical services, in-
Increasingly employed by and for large animal operations themselves. Scenario B, on the other hand, envisions a potential future where livestock and dairy producers are doing well, buoyed by rising milk/beef prices, lower feed costs, and growing demand for their output products (possibly as a result of efforts to reduce soft drink consumption, for example). Yet, new medical technologies such as lower-cost disease identification and treatment options, could disrupt current veterinary operations. Scenario C is likewise not a “happy” world: dairies struggle, livestock margins erode, ag communities face increasing environmental pressures...all impacting the growth and margins of veterinary operations.

The typical reaction when presented a range of potential futures is to try and guess which future is more likely, especially if they challenge what we see today. But, as indicated, scenarios are not predictors; rather, they outline a range of possible outcomes for veterinarians and their clients to assess:

- Where might there be unforeseen opportunities and threats?
- What should my practice be prepared for...and how might we be “blindsided”?
- Given our current strategy, is it sustainable across multiple different futures, or is it really predicated on “running harder” in the current world? What happens if things then change?

Implications

Coming up with different future “worlds” is fun and challenging...but the real value in scenario planning is in helping expand the possibilities for growth, while protecting against “external shocks.” The chart below summarizes how veterinary practices might respond to the different futures outlined by the 4 scenarios.

Specifically, in Scenario A—
- Work hard, possibly adding staff members

- See if you can raise prices and expand your client base.

Assuming your operation is profitable today, Scenario A—really today’s world projected forward into 2020—is clearly the “best” of the futures presented. According to several practicing vets, it is also the least likely of the 4 futures. The most challenging one—Scenario D—has very different implications for success:

- Emphasize consulting and preventative care, targeting a few, large customers
- Employ fewer, less expensive staff members
- Focus on more protocol-driven practices, possibly located on-site of major clients
- Seek to establish “value” for your customers, as they define it. What can you do to make them successful? And which customers are the best ones...the ones that seek a high-value, mutual partnership...not the lowest-cost provider of services.

As for the other 2 scenarios, in Scenario B, successful vet practices may be built around flexible contracting and delivery arrangements between veterinarians and their main clients. Should veterinarians look to do more than simply supply medical services, such as expanding into management and operational advisors, adding staffs in milking operations and quality, for example? In the world outlined by Scenario C, where dairies and other animal producers are struggling, lowering the costs of support for primary customers will be critical. Potential winning strategies might involve agreeing to outcome measurements (herd fertility rates or milk outputs per cow) tied to payments.

The question then is not—"Which of these worlds will happen?"—but rather, “What do we need to do (or be ready to do) to be successful no matter what the future brings?” And are we ready to move if Scenario A—where we are today—starts morphing into one of the other scenarios? Given the potential for continued feed
cost increases and lower milk and/or beef prices over the next several years, prescient veterinary practices will want, at the very least, to experiment with some of these options.

**Conclusions**

In conclusion, scenario planning does 3 things:

- Starts the strategic discussion by looking at a reasonable range of alternative futures;
- Across those futures, asks the question: what is the “ideal” organization—and its specific characteristics—that will enable the vet practice of the future to prosper **no matter which future occurs**; and,
- Finally, “tests” the current organization against that “ideal” to develop a set of strategic priorities for the (uncertain) future, helping owners think through “what if” options.

Wayne Wagner writes that when faced with rapidly changing environments, “We walk backward into the future, with our minds anchored by the imprinted lessons of the past.”

Scenario planning starts from the future and works back, and in that process ideally reveals more creative opportunities for sustainable veterinary practice success.

**Acknowledgment**

The author thanks Dr. Al Harper, Dublin, TX and owner of Veterinarian’s Outlet, Inc., for his suggestions and critique of this article.

Work on these scenarios was generously supported by Pfizer Animal Health.

**References**