Strategic Planning: A Catalyst for Cultural Change

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In general, most organizations lack effective strategic planning.

Hospitals face unique and growing challenges.

To compete effectively, hospitals must change how they “plan”, which in turn will require organizational/cultural changes.
## Components Of Planning Process

### Typical Components
- Mission Statement
- Vision and Values
- Situation Assessment (SWOT)
- Market share
- A Set of Goals
- Strategies (Key Issues)
- Tactics (Action Plan)

### Define Mission, Values and Vision

- Often empty
- Is it “honest”? 
- Is it relevant?

Relevance is about providing direction that inspires, motivates, and sustains

**Ask… What do you really care about?**
Sooo… What now….

The typical Strategic planning process
§ Logical
§ Easy to develop
§ Important

…BUT IT IS NOT ENOUGH…
– Does it truly result in a strategy?
– Was the analysis fact-based?
– Does the strategy address key long-term issues?
“Strategy is creating fit among a company’s activities”:

§ “The success of a strategy depends on doing many things well – not just a few – and integrating among them”

§ “If there is no fit among activities, there is no distinctive strategy and little sustainability. Management reverts to the simpler task of overseeing independent functions, and operational effectiveness determines and organization's relative performance”

Rediscovering your Core "Uniqueness"

- Which of your product or service lines are most distinctive?
- Which of your product or service lines are the most profitable?
- Which of your customers are the most satisfied?
- Which customers, channels, or purchase occasions are the most profitable?
- Which of the activities in your value chain are the most different and effective?


Who does this?
At what level of “granularity”?
To what degree of accuracy?
How often?
Strategy Formation: 10 “Schools”

- Conception (Design)
- Formal Process (Planning)
- Analytical Process (Positioning)
- Visionary Process (Entrepreneurial)
- Mental Process (Cognitive)
- Emergent Process (Learning)
- Negotiation (Power)
- Cultural (Collective)
- Reactive Process (Environmental)
- Process of Transformation (Transformation)

Fits organizations / industries that can thrive with top-down / hierarchical management

“Most of the strategy concepts in use today are static. They explain the stability and sustainability of competitive advantages. … telling us why a particular position is defensible—why it holds the high ground.”

“Most corporate strategic plans have little to do with strategy. They are simply three-year or five-year rolling resource budgets and some sort of market share projection. Calling this strategic planning creates false expectations that the exercise will somehow produce a coherent strategy.”

Common Problems with Strategic Planning: Survey

800 respondents at firms with $500+ mil. revenues

Of the 75% of respondents who indicate their company has a formalized strategic planning process:

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leads to strategic decisions that allow the company to <strong>meet its goals</strong> and challenges</td>
<td>64</td>
</tr>
<tr>
<td>Is <strong>fact-based</strong></td>
<td>57</td>
</tr>
<tr>
<td>Focuses on most important <strong>strategic</strong> issues facing company, <strong>not tactical</strong> issues</td>
<td>53</td>
</tr>
<tr>
<td>Ensures that those who carry out strategy are <strong>involved</strong> in making it</td>
<td>52</td>
</tr>
<tr>
<td>Emphasizes <strong>substantive discussion</strong> of issues, not process</td>
<td>43</td>
</tr>
<tr>
<td>Fosters <strong>creativity</strong> in strategy development</td>
<td>29</td>
</tr>
<tr>
<td>Is <strong>efficient</strong></td>
<td>20</td>
</tr>
<tr>
<td>The company currently <strong>tracks</strong> the <strong>execution</strong> of its strategic initiatives</td>
<td>56</td>
</tr>
</tbody>
</table>

Summary

§ In general, most organizations lack effective strategic planning

§ Hospitals face unique and growing challenges

§ To compete effectively, hospitals must change how they “plan”, which in turn will require organizational/cultural changes
“Today’s hospital is the community’s center of health care and advanced medical technology. It is also the most complex human institution around, with a profusion of services and health care professionals which nobody dreamed of even fifty years ago.” (italics added)

Source: Peter Drucker, Toward the Next Economics, 1981.
Slow and bureaucratic decision-making is sustainable if:

1. Competitors are limited to other hospitals
2. Other hospitals’ actions are constrained via a lengthy Certificate of Need process
3. The minimum-sized competitor in the market place (i.e., strategic business unit) is a fully-integrated hospital

In most states, none of the three factors is true today

Competition takes place at the discrete service level
A collection of activities is an SBU if:

1. The aggregate revenue is a large portion of the hospital’s total revenue
2. Other hospitals compete specifically for those services (or patient segment) with targeted marketing and/or operations
3. Free-standing centers target specific procedures/patients
4. Such centers are recognized by payors (and often are accredited by SBU-specific agencies)

Example: Sleep lab
### Potential SBUs at a Hospital

<table>
<thead>
<tr>
<th>Service Line</th>
<th>Strategic Business Unit</th>
<th>Service Line</th>
<th>Strategic Business Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cancer</td>
<td>Cancer Treatment Center</td>
<td>Nephrology</td>
<td>Kidney Transplant Center</td>
</tr>
<tr>
<td></td>
<td>Bone Marrow Transplant</td>
<td>Neuroscience</td>
<td>Stroke Center</td>
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<td></td>
<td></td>
<td></td>
<td>Spine Disorder / Back Pain Center</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Neurological Institute</td>
</tr>
<tr>
<td>Cardiac</td>
<td>Cardiac Crisis Center</td>
<td>Orthopaedics</td>
<td>Musculoskeletal Center</td>
</tr>
<tr>
<td></td>
<td>Heart Failure Clinic</td>
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<td>Hand Center</td>
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<td></td>
<td>Lipid Clinic</td>
<td></td>
<td>Imaging Center</td>
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<tr>
<td></td>
<td>ED Observation Unit</td>
<td></td>
<td>Total Joint Replacement Center</td>
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<tr>
<td></td>
<td>Cath Lab Recovery Unit</td>
<td></td>
<td>Rehabilitation Center</td>
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<tr>
<td></td>
<td>Cardiovascular Recovery Unit</td>
<td></td>
<td>Sports Medicine Center</td>
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<tr>
<td>Emergency</td>
<td>Pediatric Emergency Center</td>
<td>Plastic Surgery</td>
<td>Skin Laser Center</td>
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<td></td>
<td>Catastrophic Care Planning</td>
<td></td>
<td>Cranio-facial Center</td>
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<td></td>
<td>Burn Unit</td>
<td></td>
<td></td>
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<tr>
<td>Endocrine/Diabetes</td>
<td>Diabetes Center</td>
<td>Pulmonary</td>
<td>Lung Center</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Sleep Lab</td>
</tr>
<tr>
<td>ENT/Oto</td>
<td>Balance Center</td>
<td>Urology</td>
<td>Prostate Cancer Center</td>
</tr>
<tr>
<td></td>
<td>Smell and Taste Center</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gastroenterology</td>
<td>Digestive Disorders Clinic</td>
<td>Women’s</td>
<td>Breast Cancer Diagnosis Center</td>
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<tr>
<td></td>
<td>Digestive and Liver Disorders Center</td>
<td></td>
<td>Mid-Life Women’s Center</td>
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<tr>
<td></td>
<td>Free-standing Endoscopy Center</td>
<td></td>
<td>Perinatal Service/Diagnostic Center</td>
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<tr>
<td></td>
<td>Heartburn Treatment Center</td>
<td></td>
<td>Childbirth Education Program</td>
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<tr>
<td></td>
<td>Cystic Fibrosis Center</td>
<td></td>
<td>Lactation Center</td>
</tr>
<tr>
<td>General Medicine</td>
<td>Observation Unit</td>
<td></td>
<td>Screening Center</td>
</tr>
<tr>
<td>General Surgery</td>
<td>Simple Surgery Hospital</td>
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<td></td>
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<tr>
<td>Infectious Disease</td>
<td>AIDS/HIV Clinic</td>
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Scope of the Problem for Hospitals

Across industry:
1. Strategic planning is typically not effective, even in “simple businesses”

Hospitals:
1. Have less CON protection
2. Are comprised of 25-50 SBUs
3. Face competition from many SBU-specific competitors, often owned by their medical staff
4. Lack 25-50 SBU leaders (not clinical leaders)
5. Lack SBU infrastructure (e.g., SBU P&L)
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Organizational Requirements for the New Millennium

• “The traditional, hierarchically based 20th-century model is not effective at organizing the thinking-intensive work of self-directed people who need to make subjective judgments based on their own special knowledge…

• “We need…a model that uses hierarchical decision making only for activities that need authority, such as allocating resources, appointing people to jobs, or holding people accountable — but at the same time enables self-directed professionals to collaborate with their peers continuously.”

Strategic Direction-Setting

**Clear Direction**
- Mission / Vision
- Strategy
- Measurable goals / Balanced scorecard
- Value proposition
- Core skills

**Rigorous Resource Allocation**
- Service line planning
- Capital budgeting
- Operating expense budgeting
- Master facility planning
- Long-term financial planning
- Human resource planning
- IT Planning

**Appropriate Organizational Design**
- Structure
- Systems
- Staff
- Management Style
- Shared values

**Pro-Active Relationship Plans**
- Physicians – Referring
- Physicians – Employed
- Physicians – Specialists
- Patients
- Hospital Partners
- Payors
- Employers

**Rigorous and integrated:**
- Hospital level
- SBU level
Turning Vision into Reality: Getting Buy-in

- Attention to Structure
- Open Communication
- Early Progress/Wins
- Celebrate Success
- Continuous Assessment
- Renewal Processes
Planning Process: General Statements

- A process consistent with your culture
- Develop an integrated plan for the hospital to establish priorities (i.e., which SBUs)
- Based on an honest assessment of current situation and SWOT, by SBU
- A plan that develops priorities but broad enough in which the community or at least a significant portion can participate
- Has measurable outcomes with clear assignment of responsibility
- Has some easy wins
Multifaceted Leadership

- Idea leadership
- Inspirational leadership
- Process leadership
- Political leadership

... Richard Boyatzis, Scott Cowen, David Kolb
*Innovation in Professional Education*
Cultural Changes

- Compartmental
- The Individual
- The Unit
- Need-to-Know
- Carrot / Stick
- Reward Commitment

Move to

- Cooperative
- The Team
- The Organization
- Open Communication
- Shared Commitment
- Reward Performance
Changes in Management Style

- Conservative
- Risk-Averse
- Short-Term
- Quantity
- Impact on Us

For business mgmt, move to

- Innovative
- Risk-Taking
- Long-Term
- Quality
- Service to Others
Strategic planning is not a replacement for your leadership, but an instrument of your leadership!

... Michael Moore and Michael Diamond

*Academic Leadership: Turning Vision into Reality*

Each SBU needs leadership
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Strategic Planning Best Practices

1. Strategic Planning is Superseded by Strategic Management and Is Effectively Linked to All Parts of the Organization
2. The Planning Process Is Evolving, Flexible, and Continuously Improving
3. Communication is Strongly Emphasized Throughout the Process and Is Critical When Introducing a New Planning Process
4. Essential Strategic Planning Components Are Adhered to, While the Distinction Between Organizational Plans Is Diminished
5. Financial Analysis and Outcomes Are Viewed as Secondary to and Flowing from Strategic Thinking
6. Diverse Competencies Drive the Planning Process
7. Emphasis Is Placed On Action Plans and Strategic Thinking at the Business Unit Level
8. Innovation and Creativity Are Emphasized
9. Performance Measurement and Knowledge Management Programs Are Incorporated into the Strategic Planning Process
10. Strategic Planning Changes from a Static to a Dynamic Process

Source: Society for Healthcare Strategy and Market Development