

# Essentials of Healthcare Strategic Planning

*Society for Healthcare Strategy and  
Market Development*

Strategic Plan Basics

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May 17, 2007



SOCIETY FOR  
Healthcare Strategy & Market Development™  
*of the American Hospital Association*

# Items We Will Cover

**Today's discussion (among other things):**

- **What is strategic planning?**
- **Why conduct or do strategic planning?**
- **Basic elements of a strategic plan.**
- **Planning horizon and how it has changed.**

## Items We Will Cover (continued)

- **Planning horizon and how it has changed.**
- **Concept of rolling strategic plans/frequent updates.**
- **Developing the mission, vision, values, goals, strategies, tactics, timelines**
- **Defining strategic metrics and the role of accountability.**

# Items We Will Cover (continued)

- **Sample format for a strategic plan:**
  - Environmental (national, state) assessment or overview
  - Local market conditions (market assumptions)
  - Internal assessment and evaluation (i.e. SWOT, etc.)
  - Critical success factors/operating imperatives
  - Organizational objectives (quantifiable)
  - Market strategies (with metrics)
  - Action Plans with accountability matrices and timelines
  - Process for evaluation, reporting and updating

# What is Strategic Planning

- **Opportunity to review and overview industry trends and issues**
- **Backdrop for assessing the market**
- **Mechanism for analyzing the organization's effectiveness**
- **Disciplined approach to ensuring organizational relevance and community (market) fit**

# What is Strategic Planning (continued)

- **Means of identifying core (vital) services and offerings**
- **Structured approach to marshalling organization resources**
- **Objective exercise in prioritizing energy and effort of management**
- **Template for communicating key messages to pivotal stakeholders**

# What is Strategic Planning (continued)

- **Model for assessing ongoing efficiency and effectiveness of strategy**
- **Framework for aligning financial drivers (budget) with strategic initiatives and organizational direction**

# Why Do Strategic Planning

- **Healthcare has become more competitive**
- **Competition is shifting—entrepreneurial and enterprising (physicians)**
- **Need to keep key stakeholders abreast of changes, strategies**
- **Synchronize local strategies with national trends/issues**

# Why Do Strategic Planning (continued)

- **Forces an evaluation of the organization's position**
- **Insider thinking versus outsider's perception**
- **Encourages key stakeholder (board, physicians) input, involvement**
- **Time frame for strategy is accelerating—rapid market change**
- **Foundation for scenario (contingency) planning**

# Why Do Strategic Planning (continued)

- **Provides unified focus (throughout the hospital) on key efforts**
- **Establishes objective rationale for budgeting cycle and financial stewardship**
- **Helps eliminate subjectivity, emotion and tradition as drivers**
- **Meaningful manuscript for communicating to various audiences**

# Traditional Approach to Strategic Planning

- **Heavy quantitative emphasis (data driven analysis)**
- **Research-based assessment (interviews and input and perception)**
- **Best of breed extrapolation (best practices in specific concentration)**
- **Overall market assessment to determine relevant trends**
- **Pareto grouping and core focus—areas that matter most**

# Traditional Approach to Strategic Planning (continued)

- **Competitive position in the market by service line—present/projected**
- **Assessment against the vision, mission and values**
- **Integrate service line strategy into overall planning**
- **Outline the critical success factors or operating imperatives**
- **Determine the market strategies**

# Traditional Approach to Strategic Planning (continued)

- **Detail the tactics (action plans) under each strategy, with timelines and accountability matrices**
- **Incorporate metrics for monitoring and measuring success**
- **Include physicians into the evaluation, planning process, and strategy development**

# Ten Questions About Strategic Planning

- **What relevance does it have in the organization?**
- **How pervasive is the discipline and application within the organization?**
- **Does the strategic plan guide the direction of the organization?**
- **Have we identified our Pareto Group (the segment that comprises 80%)**

# Ten Questions About Strategic Planning (continued)

- **Is the organizational structure in place to optimize our strategic planning effort?**
- **Has it effectively assessed our market position vis a vis the competition?**
- **How is financial performance affected/directed—linked to budget?**
- **Does the plan in place have compelling strategies that improve share?**

# Ten Questions About Strategic Planning (continued)

- **How doable and feasible (i.e. realistic) is our strategic plan?**
- **Does it outline the progress/success necessary for long-term viability?**

# Five Strategic Planning Questions Jack Welch

- **What does the playing field look like today?**
  - What are the characteristics of this business?
  - Who are the competitors in this business, large and small, new and old?
  - What is our market share in the “market?” Where do we fit in?
  - Where are our major service lines on the growth curve?
  - What are the strengths and weaknesses of each competitor?
  - Who are our main customers and how do they buy?

# Five Strategic Planning Questions

## Jack Welch (continued)

- **What has the competition been up to?**
  - What have been the recent competitor moves in the past year?
  - How has the playing field been changed over the past year?
- **What have we been up to?**
  - What have we done over the past year?
  - How have we changed the competitive playing field over the past year?

# Five Strategic Planning Questions Jack Welch (continued)

- **What's around the corner?**
  - What scares us the most over the next three years?
  - What merger & acquisition deals/ alliances would knock us off our feet?
- **What is our winning move?**

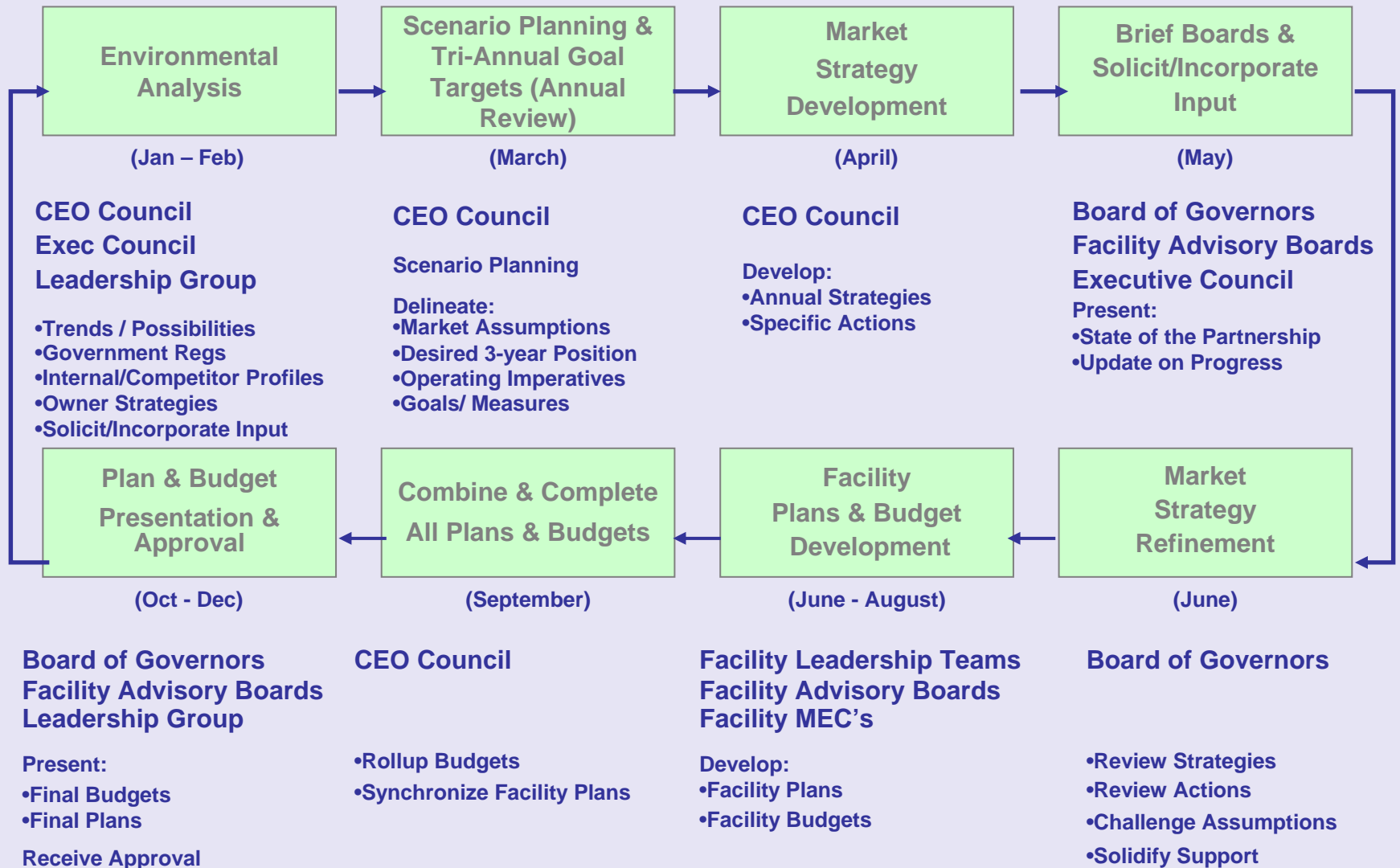
# Planning Horizon—How/Why it Has Changed

- **Traditionally, strategic planning (or long-range planning) on a 3-5 year time horizon**
- **Business plans and service line plans fold into or mesh with strategic plan and these are done annually**
- **Market forces and seismic shifts in external environment (i.e. BBA) require collapsed time horizon, more frequent planning**

# Planning Horizon—How/Why it Has Changed (continued)

- **Concept of a rolling strategic plan—developed for 3-5 year time span, but updated every year to reflect market shifts/organizational dynamics**
- **Successful organizations are perpetually planning—some component of the process always in play**

# Sample Strategic Planning Process



# Considerations for Mission, Vision, Values

- **Keep in mind the role of and audience for each element**
- **Cutting and pasting from the best and the boldest**
- **Good touchstones to frame the discussion for ongoing strategy, especially when considering sizeable and significant change**

# Considerations for Mission, Vision, Values (continued)

- **Which, if any, of these change with market shifts and stakeholder demands—progressive or passé**
- **Communicating and contextualizing the canon**
- **Resonance and relevance—dynamism in the documentation**

# The Mission is the Message

- **A thousand different things to a thousand different people**
- **Mission: The organization's *raison d'être* (usually external) *Why***
- **Mission example: “Improve the health of the community”**
- **Vision: Where the organization wants to be/go (internal) *Where***
- **Vision example: “Leading healthcare provider in the market”**
- **Values: The organizational DNA (internal and external) *Who***
- **Values example: integrity, compassion, accountability, respect, excellence (ICARE values)**

# The Mission is the Message

- **Mission:** The organization's *raison d'être* (usually external) *Why*
- **Mission example:** “Improve the health of the community”
- **Mission Exercise:** Developing or improving your organization's mission statement

# That *Vision* Thing

- **Vision: Where the organization wants to be/go (internal) *Where***
- **Vision example: “Leading healthcare provider in the market”**
- **Vision Exercise: Electrifying and quantifying the VISION for your organization**

# True *Values*

- **Values: The organizational DNA (internal and external) *Who***
- **Values example: integrity, compassion, accountability, respect, excellence (ICARE values)**
- **Creating memorable and applicable **VALUES** exercise**

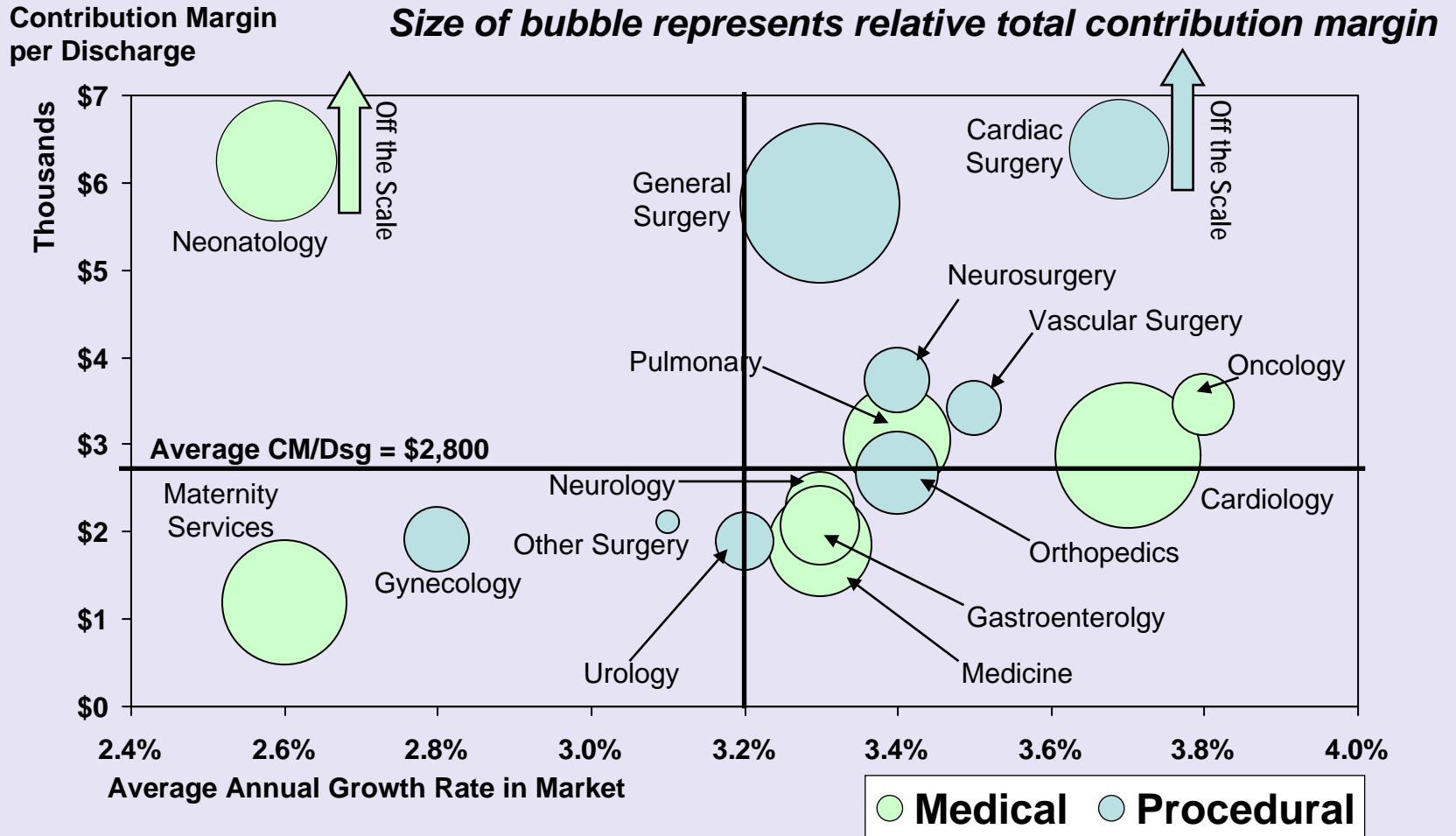
# Composition of Planning Team or Committee

- **Most effective SP teams or committees have wide representation**
- **Key members of the team: Senior executives, physicians, board members, dept. managers, others as designated (community liaison)**
- **An effective team sweats the details (data), concentrates on the customer (patient), and rallies around the plan (objectives, strategies and results)**

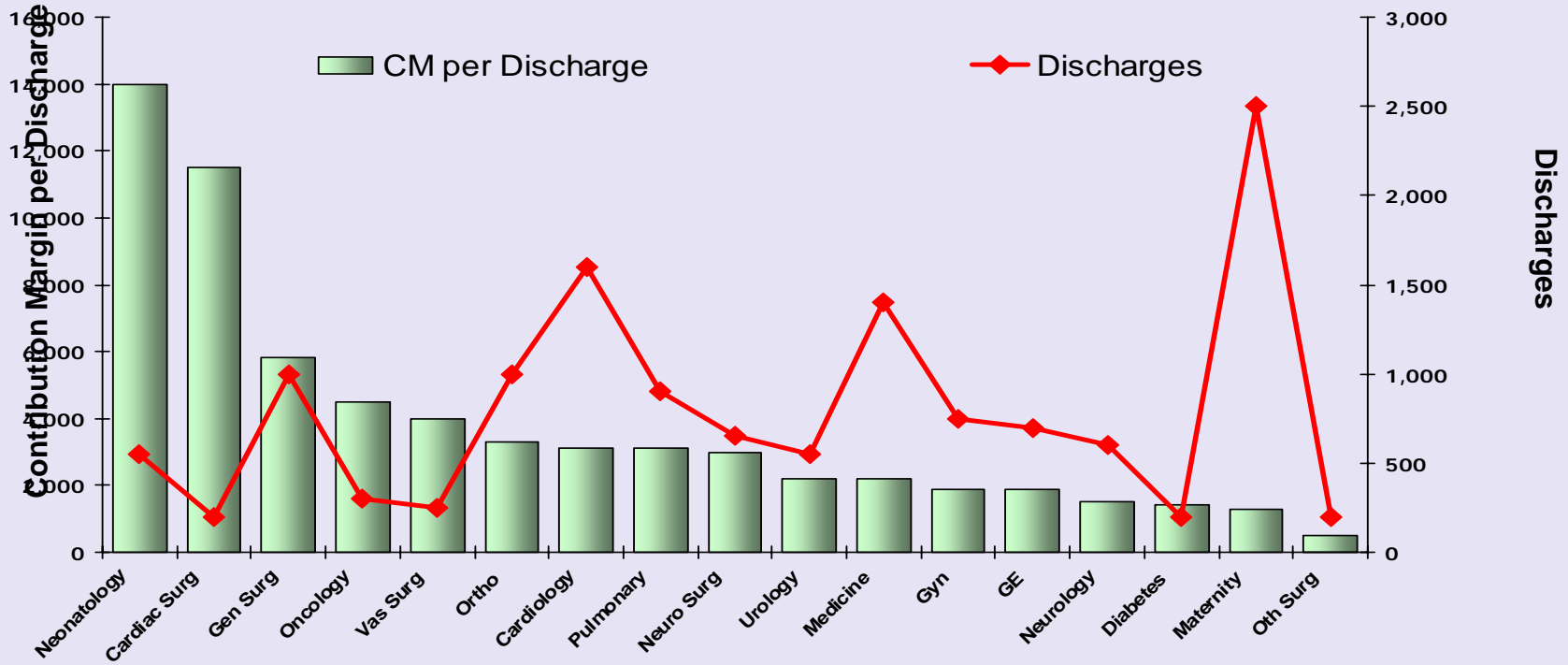
## Composition of Planning Team or Committee (continued)

- **Key competencies for the planning group include: teamwork, flexibility, data-orientation, tenacity and communication skills.**
- **End Product should tell a compelling story—not just mindless data**

# Every Picture Tells a Story and Reveals a Strategy



# Another Way to Slice the Data: *Service Line Margins*



# The Brilliance of Planning: Discipline and Data

- **Focuses the team or the individuals assigned**
- **Data becomes the driver—objective and frequently measured**
- **Removes or diffuses the emotionality and partisanship**

# The Brilliance of Planning: Discipline and Data (continued)

- **Provides accountability and awareness to senior mgmt and board**
- **Enhances organizational communication and ensures synchronization with the budget**

# Strategic Metrics and Accountability

- **Quantitative is substantive, qualitative is fuzzy and/or mushy**
- **Everything should have some form of measurable means—goals, strategies, tactics**
- **Timeframes are part of the metric—even if a range of time**

# Strategic Metrics and Accountability (continued)

- **Default mode is “not measurable,” which means it’s not worth expending the effort or including the initiative**
- **Accountability needs to be assigned to all components, especially strategies and action plans (tactics)**
- **Accountability matrices can include teams or task forces, but should have one specific designee (CEO of the project)**

# Objectives and Strategies

- **Objectives are overarching goals for the organization. Distill down to four or five. *What we'll do (examples from group)***
- **Strategies are the means to achieving the goals. Each objective should have its own strategies, but broad in scope. *How we'll do it (examples from group)***

# Tactics and Actions

- **Tactics are the more detailed sub-component of strategies. These are not usually seen by the board or high-level audiences (examples).**
- **Action plans and steps are getting down to granularity (examples).**

# Timeframes and Monitoring

- **Timeframes and accountability matrices for tactics and actions—very defined and detailed.**  
*Who will do it, and when*
- **Ongoing monitoring (project management) is important to ensure the projects don't slide into obscurity and obsoletion.**

## Just a Moment on Metrics

- **Effective execution (across a system) is often lost in the ambiguity of how the lines are defined and what is measured for success**
- **Service lines will take off and take hold if the metrics align with what senior mgmt and the board sees, monitors**
- **Nebulous or tangential metrics will produce nominal results, eventual frustration and dissolution**

## Just a Moment on Metrics (continued)

- **Consider measures beyond just quantitative or financial—i.e. quality metrics and perceptual measures (from local market research)**
- **Identify and clarify what success would mean by service line and over what time frame—targets should be market-based and realistic**

# Strategic Plan: *Eight Components*

- **Outline national and state trends/issues that are relevant and timely**
- **Review and discuss local market conditions**
- **Analyze organizational dynamics and market positioning**

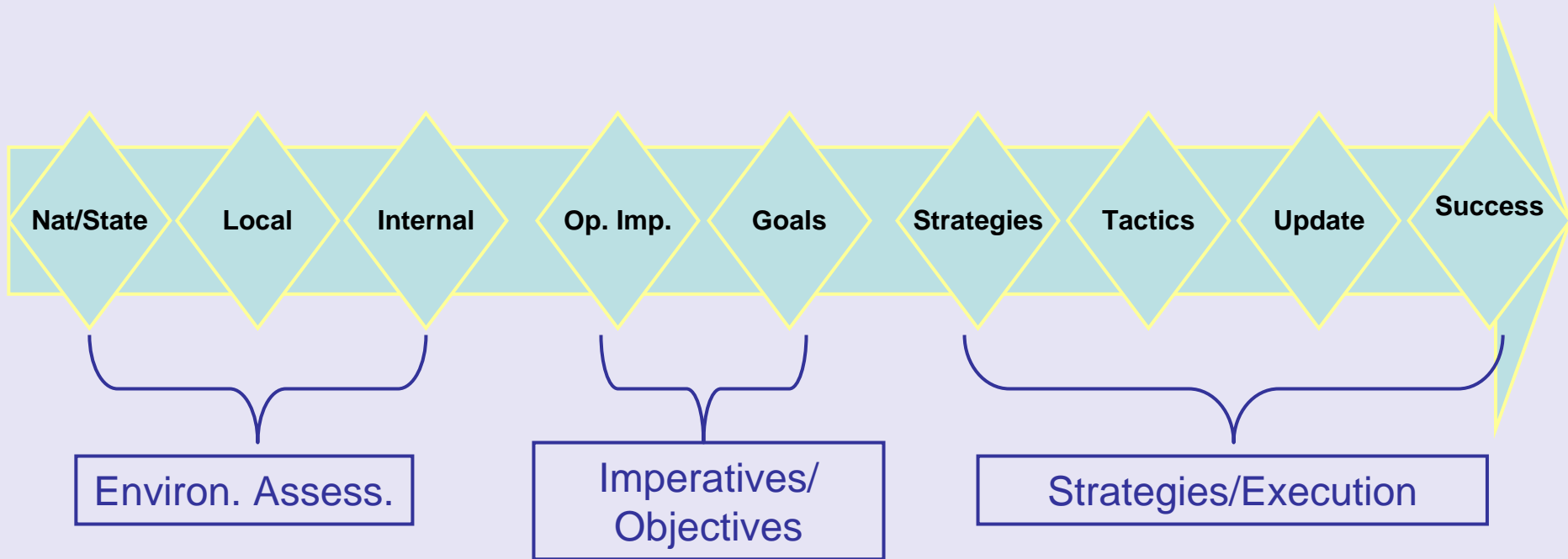
# Strategic Plan: *Eight Components (continued)*

- **Determine and discuss operating imperatives (critical success factors)**
- **Determine goals/objectives for the organization**
- **Develop market strategies to achieve objectives—with metrics**

# Strategic Plan: *Eight Components (continued)*

- **Define and detail action plans (assignments/timelines) for strategies**
- **Review progress/update plan to reflect market dynamics**

# Eight Components of Successful Strategic Plans



# Circling Back and Wrapping Up

- **Strategic planning is *essential*, not tangential to an organization**
- **There are epiphanies in the exercise and dynamism in the discipline**
- **Strategic plans vary, but most have some core elements, such as the eight components we reviewed and discussed**

## Circling Back and Wrapping Up (continued)

- **The market is too dynamic to elongate the timeframe. A rolling plan is valuable and keeps the organization viable. Perpetual planning**
- **Synching the plan with the budget cycle aligns strategy with the bottom line—very important, yet not very evident**

# Questions, Suggestions, Genuflections

- **Anything we didn't cover you'd like to discuss?**
- **Anything you'd like to review in greater depth?**
- **Are you ready to write a killer strategic plan?**

# Questions, Suggestions, Genuflections (continued)

- **Do you understand the process sufficiently to proceed?**
- **Will you hold your next planning retreat in Maui?**
- **If so, will you invite the faculty at this session?**

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- **In the last three years, Phase 2 has worked on a total of 86 strategic planning projects (20% of total projects), and we are currently developing strategic plans for 14 clients.**
- **Phase 2 Consulting leads the industry in translating healthcare problems into strategic opportunities. By knowing the direction healthcare is heading, we help find solutions that work today and into the future.**