A Framework for Strategic Planning & Positioning in an Era of Healthcare Reform

White Paper

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December 2014

The Essence of Strategy

**KEY CONCEPTS:**

- WHERE ARE WE NOW?
- WHERE DO WE WANT TO GO?
- WHAT’S IN OUR WAY?
- HOW DO WE OVERCOME WHAT’S IN OUR WAY?

These questions are at the core of strategic planning and positioning. Admittedly, these are pretty basic questions for what is normally considered a complex subject. How these questions are understood and answered, however, and the depth of individual and collective knowledge created answering them through observing, assessing, analyzing and inferring can get quite complicated because none of that occurs in a vacuum.

A helpful analogy of how addressing these basic questions can become a complicated process lies in the ancient game of Chess. The objective is very simple: capture your opponent’s king. All of the pieces are in front of you. You know how they can be used. You can see what your opponent is doing. You only have to make one move at a time. What could be more simple?

Yet most of us have a deep respect, if not sense of awe, for individuals who play the game able to envision all the possibilities of what the board could look like three, four, five moves ahead. The process of anticipating where and how your opponent’s pieces will impede you (i.e., strategizing) more than a move or two ahead is very difficult for most of us.

Not only can strategy thus be very difficult, but—in the face of uncertainty and complexity—also quite time-consuming, frustrating and often a waste of valuable resources. Yet not planning and effectively positioning in the wake of Healthcare Reform could be a short path to organizational obsolescence. This is where having a structured approach in place is invaluable.
The Circular Nature of Planning and Positioning

As illustrated in the diagram on page 4, there is a circular relationship between strategic planning and strategic positioning. Those who have spent considerable time studying military strategy should readily understand this concept as it relates to battlefield examples of strategic positioning: terrain, troop movements, fortifications, lines of battle, etc. These are all critical elements to positioning that affect the success of a military plan (or strategy).

This concept of physical positioning can be extended to non-physical plains when thinking of an organization. Being strategically positioned as an organization can include such concepts as organizational culture, leadership, urgency, communication, core capabilities, brand awareness, etc. Positioning in this sense is about leveraging the available organizational resources to achieve a desired outcome – or future state vision.

These core concepts of strategic positioning are what determine the ability to successfully implement a strategic plan. Thus, being a good strategic planner requires the ability to understand the importance of strategic positioning, while being able to achieve desired strategic positions requires effective planning and execution.

“ If you don't know where you are going, any road will take you there.”

–Lewis Carroll, Alice’s Adventures in Wonderland
Abstract to the Concrete: Planning vs Execution

**Key Concepts:**

- **Strategic Planning Should Define the Implementation Process**
- **Successful Execution Depends on a Sense of Pride and Ownership in That Process**

Ironically, the difference between successful planning and successful execution often comes down to basic organizational traits such as, commitment, desire, tenacity, endurance and resiliency.

What is quite often missed, however, is realizing these traits need to be born out of, developed and nurtured as part of the planning continuum.

You can encourage someone to keep trying, but you cannot make them resilient. You can ask someone to support your plan, but you cannot force them to be committed to it. You can establish financial rewards to incentivize work effort, but you cannot create in them the same desire for success that you have.

That is why it is important to follow a process that begins with a shared vision, fosters passionate buy in and support and then creates an environment where individual goals and achievement of the organizational future state vision are closely aligned. This is most effectively accomplished when there is a hierarchical planning structure in place, where the organization can move together from an abstract vision to concrete tasks, with each level supporting the one above.
An organization’s mission is its purpose for being. It is what ultimately makes that organization relevant—or not. The desire for relevancy is a primordial characteristic of human nature, which ultimately drives much of our behavior, both good and bad. Values, on the other hand, are the shared principles that define an organization’s core essence.

If mission is the purpose of an organization’s being, then values are a reflection of success in achieving that purpose. Together, mission and values drive our desire to achieve more in the future than exists today: the organizational vision. The relationship of these three elements (the mission-vision-value construct) must be at the heart of any planning effort.

As Jim Collins taught us in Good to Great and Built to Last, it is also important to remember that while a successful organization’s mission may evolve in terms of the means and manner in which it creates value, its purpose (mission) tends not to. Similarly, the very nature of values is their constancy. Vision, on the other hand, evolves and changes as the environment in which the organization operates changes. This is another reason for starting with the vision, because it must change over time in order for the organization to remain relevant.

“An organization’s mission is its purpose for being. It is what ultimately makes that organization relevant—or not.”

The mission-vision-value construct is as important to the implementation process as it is the planning process. An organization’s mission and values drive the day-to-day work efforts of those responsible for a plan’s implementation. The success of those individuals’ efforts must then be measured against how quickly and how well the organization is advancing toward its future state vision. There are a variety of means to achieve this (e.g., feedback loops, Balanced Scorecard®, performance management, etc.), but importantly, it is the use of defined measures and metrics that will help ensure alignment of organizational goals and individual accountability.
Part 2. Structural Elements of the Strategy Framework

Compelling Vision
KEY CONCEPTS:

- “IMAGINATION IS MORE IMPORTANT THAN KNOWLEDGE” - ALBERT EINSTEIN
- A FUTURE STATE VISION SHOULD INSPIRE THOSE RESPONSIBLE FOR EXECUTION

As discussed above, the best place to begin a successful strategic planning effort is at the end. Walt Disney wrote, “if you can dream it, you can do it.” A compelling vision of an organization’s desired future state should be inspirational for the effort required – yet instill confidence in its ability to be achieved.

We often start by having organizational leadership identify the core elements of how they define success by answering questions, such as:

- What are the things you want to be able to tell your friends and family about your organization five years from now?
- Upon realizing your vision, who is receiving value out of your efforts and how?
- What quantifiable achievements would indicate you have been successful?

We then use this knowledge to facilitate a discussion of how those core elements of success can be organized and structured in a way that creates the type of vision statement, which can be easily understood and embraced by all of the organization’s stakeholders – internally and externally.

Provided below are several examples of compelling vision statements:

“We are committed to becoming the most highly sought after post-acute/long-term care partnership relationship of all major acute care hospitals in Southern <State>.”

“In the next ten years, our organization will be transformed from a provider to a facilitator; we will be known first and foremost as an advocate for our elderly patrons and stakeholders.”

Current State Assessment

KEY CONCEPTS:

- DATA BECOMES INFORMATION WHEN IT IS ORGANIZED
- INFORMATION BECOMES KNOWLEDGE WHEN IT IS ANALYZED
- KNOWLEDGE BECOMES WISDOM WHEN IT IS SYNTHESIZED

A current state assessment should be completed prior to engaging in any formal strategic planning/positioning effort. The temptation of being self-serving notwithstanding, this does not have to mean hiring consultants.

Our experience has been that much of the necessary data already exists in various forms but it has to be surveyed, assembled and organized in order to be useful. If outside assistance is warranted to help fill in the missing information gaps, then first documenting what already exists will help save potential costs of creating duplicative information.

A current state assessment should help an organization clearly understand how it is positioned relative to its environment. We have found it useful to organize this assessment into the following five domains:

1. Organizational environment
2. Market position
3. Operational and clinical performance
4. Physical assets
5. Financial assessment

Each of these five domains is discussed, in turn, on the following page.
Organizational Environment
This refers to the macro level industry trends and drivers impacting an organization through influences primarily beyond its control. The organizational environment encompasses the political landscape, legislation and regulations, innovation and technology (particularly those disruptive elements driving industry transformation). Other areas for consideration include the labor market, economic conditions and socioeconomic characteristics of the market.

Market Position
This is essentially combining a traditional market assessment with two critically important nuances: positioning analysis and understanding the wherewithal and capacity to partner with other healthcare providers in the market. While understanding current and projected market penetration/absorption is and will continue to be very important, today it is becoming increasingly important to think beyond the historic methods of defining demand metrics and analytics.

New payment methodologies, regulatory transparency and reporting requirements and care delivery models will drive post-acute/long-term care organizations into reassessing acute-care referral relationships, partnership opportunities, as well as how they define their customer base. In addition, brand awareness (and thus brand management) are becoming increasingly relevant as those organizations are being forced to transcend a wider expanse of the healthcare continuum.

Operational and Clinical Performance
Benchmarking performance analysis can be helpful though its use is becoming increasingly limited in value. This is because future performance for most organizations under Healthcare Reform will have to improve substantially as a matter of survival. The potential false sense of security provided by comparing favorably to what used to be could result in leadership complacency and failure to realize a true sense of urgency.

A preferred approach is to perform a gap assessment that compares current operational and clinical capacity and performance to future state requirements as a participant in integrated care delivery and capitated care model. This is also a preferred approach because it recognizes the unique characteristics of an organization rather than attempting to make meaningless comparisons to organizations in different markets, under different state regulations, with different stakeholders and constituencies, etc., etc.

Physical Assets
Understanding the historic, current and future value of physical assets is an important consideration often overlooked in the strategic planning process. This can sometimes be counterintuitive when comparing the investment value of those assets against their ability to benefit strategic imperatives. Physical assets often represent intrinsic value to the organization’s brand and culture that may not be fairly represented on the balance sheet. It is important to include a foundational and objective evaluation of asset value when assessing their contribution to organizational initiatives.

Financial Assessment
Ultimately, all of the assessment areas shared above combine to create an overall awareness and understanding that must be considered and understood from the vantage of long-term economic viability. Program utilization, capital structuring, care delivery models—these are just a few examples of critically important considerations when evaluating the economic viability of the organizational initiatives identified by the organization.

Lack of financial resources is the single biggest constraint that many organizations will face in the future. Having a realistic and pragmatic understanding of how best to leverage the resources that are available will provide organizational leadership with the planning tools needed to evaluate and mitigate risks associated with strategic initiatives. A comprehensive financial assessment is the funnel through which all other organizational considerations must flow pass.
SWOT Analysis

The knowledgebase created in these five domains is then stratified according to the infamous strengths–weaknesses–opportunities–threats (SWOT) analysis (the origin of which is not definitively established but most often associated with Stanford University’s Albert Humphrey in the 1960s-1970s). Strengths and weaknesses are generally more inwardly focused on the organization, while opportunities and threats are useful in analyzing external realities and considerations. But we have found it useful to apply the SWOT approach to each of the domains.

A primary reason for doing this is that it produces an image of the organization where the interrelationships of these five domains (i.e., the syntheses that create wisdom) become evident. For example, an organization’s market positioning affects its service offerings and operational performance. Operational requirements define physical plant, which in turn impacts capital formation and structure – and that has a direct effect on financial performance. This interaction plays out against an environmental backdrop that is in constant flux.

Understanding the dynamic nature of how these domains are linked helps to prepare the organization in developing strategic imperatives and organizational initiatives, as well as the enabling characteristics necessary for their achievement. It also introduces and begins to acclimate organizational leadership to the concept of planning and positioning as a continuous process, as discussed above.

In developing strategic imperatives (SIs) leadership must determine how it is going to allocate and deploy its resources to achieve future positioning. It is only after this positioning is achieved that an organization can pursue its future state vision. Thus each of the SIs should be defined in a way that clearly supports that future state vision.

To borrow an example again from military strategy, if the compelling future state vision was to invade the western coast of France in WW II (D-Day), example SIs would include: being able to land armored vehicles across the ocean, being able to drop paratroopers into enemy-controlled territory and being able to mislead the enemy regarding the intended landing area. These are imperatives that absolutely had to be achieved before the future state vision could be pursued.

When developing SIs, we begin with the phrase, “our organization must be able to . . .” as in the following examples. “We must be able to...

...Expand the geographic reach of our impact and the constituency we serve.”

...Develop and broaden our organizational resources (e.g., workforce) in anticipation of expanding services.”

...Assess, monitor and evidence the quality of care we provide to all of our relevant stakeholders and constituencies.”

...Achieve long-term financial sustainability that is not threatened by government payment sources.”

Organizational Capabilities (WHAT)

Key Concepts:

- **Strategic Imperatives are what you must be able to do in the future**
- **Achieving these capabilities positions the organization to pursue its vision**
- **Once achieved, strategic imperatives must be maintained**
SIs are discrete in that they have a defined achievement, but once achieved they must be maintained – and this requires a continuous expenditure of resources that should be considered as part of the planning and positioning effort. A position of achievement is always under threat from internal and external threats.

**Organizational Initiatives (HOW)**

**Key Concepts:**

- **Organizational Initiatives are how you will accomplish the necessary strategic imperatives**
- **They are specific, tactical and should have a definitive timeframe**
- **Their achievement should be tied to individual performance measures**

Operational initiatives (OIs) then are the specifically defined actions that an organization will take to mobilize its resources in ways that will give rise to development of the strategic imperatives identified above. OIs can best be thought of in terms of, “we will” accomplish this or that, as in the following examples. “We will . . .

...Sponsor, initiate and facilitate a community-based physician network focused on heart failure.”

...Launch a formal rebranding strategy in our market.”

...Develop an evidence-based approach for reaching out to potential acute care partners based upon Six Sigma Process Improvement protocols.”

... Invent and commercialize a new smart phone app that connects our campus and HCBS growth initiatives with our targeted markets.”

OIs are tangible in that they have a discrete timeframe and defined objectives. Their success can largely be measured objectively by predefined metrics and/or criteria. They can – and should – also be linked to individual performance measures.

**Implementation Plans**

**Key Concepts:**

- **The key difference between successful and unsuccessful strategy is the ability to execute tactical plans**
- **While there are many ways to create effective tactical plans measuring their success should be consistently applied**

Of course, organizational initiatives must be successfully and efficiently implemented in order to create value. As Peter Drucker once wrote, “plans are only good intentions unless they immediately degenerate into hard work.”

There is a wide body of knowledge available on Project Management that will find practical purpose here. We have found a very effective approach is to use Microsoft Project to create Gantt-style planning tools that document required tasks, assign responsibility for completion of those tasks, determine resource requirements and identify critical precedent and dependency relationships between those tasks.

Regardless of the means used, to be effective implementation plans should accomplish the following:

- Streamline and accelerate completion of tasks
- Ensure individual accountability
- Promote timely communication
- Facilitate organizational knowledge sharing
- Identify risks and obstacles early

“Plans are only good intentions unless they immediately degenerate into hard work.”

–Peter Drucker
Enabling Characteristics

KEY CONCEPTS:

- **Enabling Characteristics reflect an organization’s key strengths**
- **They support the pursuit of both strategic imperatives and organizational initiatives**

Although similar in nature to strategic imperatives and organizational initiatives, enabling characteristics (ECs) are different in their planning and implementation horizon. While SIs and OIs are discrete in nature (i.e., they have defined beginnings and established measures of achievement that make their pursuit finite—withstanding that SIs must be maintained once achieved), the pursuit of ECs is constant and continuing. They are the organizational strengths, which are so critical to achievement of the future state vision that they both transcend and support the planning framework.

Examples of enabling characteristics might include: enhancing the organization’s IT capabilities, developing organizational resiliency, and training and education of the workforce. These are activities that are critically important to the resource-enhancing execution and implementation of organizational initiatives.

The other aspect which distinguishes ECs is that they typically enable multiple OIs concurrently. In a sense, this makes them more difficult to plan, resource and pursue—but all the more important that they be considered during and as part of the strategic planning and positioning process.

**SUMMARY**

Whatever future political changes impact the landscape of the government’s role in healthcare delivery, Healthcare Reform will remain the prominent inorganic driver of change in the industry for the next five-to-ten years at least. There are simply too many well-publicized social and economic challenges to be ignored by politicians—and there is simply too much cost to be ignored by employers and both public and private insurers.

And the hard reality is that with or without legislative and regulatory influence, the healthcare industry will soon face the threat of being crushed under its own weight if it is unable to substantially increase the value provided to stakeholders and constituents. **Value** is tomorrow’s currency of success in healthcare, and it is defined as achieving better outcomes at a lower aggregate cost.

Organizations that survive and thrive during this era of Healthcare Reform will be those that are strategically positioned to address the challenges, mitigate the risks and seize the opportunities as they are presented. They will benefit from having created **option value**—the ability to move in multiple beneficial directions as the environment dictates. They will learn how to monetize their value chain—assessing where they create value and ensuring they capture the commensurate revenue.

Here is a final thought from one of the greatest strategists of my generation—Winnie the Pooh (i.e., A. A. Milne). Pooh once said, “Always watch where you are going. Otherwise, you may step on a piece of the Forest that was left out by mistake.” The one talent that most often distinguishes a good strategist is the ability to observe the world around them in ways that constantly adds awareness and understanding of their environmental positioning. By following an organized and disciplined approach to planning and positioning you will stand a far better chance of not missing the forest for the trees.
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