

# LEARNING OBJECTIVES

- By the end of this lecture, the student will be able to:
  1. Describe strategic planning and the strategic planning process;
  2. Discuss the importance of strategic planning as a dynamic process in healthcare organisations;
  3. Identify healthcare market powers and trends, and understand their potential impact on health services;
  4. Describe SWOT analysis;



# STRATEGIC PLANNING (SP)

- Every organization needs to be successful over the long term in order to survive; a critical factor leading to that success lies in how well an organization can plan for the future and tap market opportunities.
- Strategic planning is the process of identifying a **desired future state for an organization and a means to achieve it.**
- Strategic planning is the systematic and organized process whereby an organization creates a document indicating the way it plans to progress from its current situation to the desired future situation.
- Through an ongoing analysis of the organization's operating environment, matched against its own internal capabilities, an organization's leadership is able to identify strategies that will drive the organization from its present condition to that desired future state.
- Healthcare managers at all levels need to understand the purpose of strategic planning, its benefits and challenges, the key factors for its success, and their vital role in the process.

# PURPOSE AND IMPORTANCE OF STRATEGIC PLANNING (IN ANY ORGANISATION)

- In any organization's operating environment, there are market forces, both controllable and uncontrollable, that will undoubtedly influence the future success of that organization.
- Only by identifying these forces and planning for ways to adapt to them can an organization achieve the greatest success.
- At the extreme, completely ignoring these forces can most certainly lead to organizational death.
- Although no one can predict the future, one can systematically think about it.
- The purpose of strategic planning is to identify market forces and how they may affect the organization and to determine an appropriate strategic direction for the organization to take that will counteract those forces and/or tap their potential.
- Furthermore, strategic planning serves to focus the organization and also its resource allocation. At any given point in time, there are multiple and often competing initiatives and projects to be undertaken in an organization.
- By understanding the organization's operating environment and identifying a strategy to reach a desired future state, resources can be allocated appropriately and effectively.

# WHY SHOULD HEALTHCARE ORGANIZATIONS (HCO) USE STRATEGIC PLANNING? DOES IT MATTER?

- Strategic planning in health care organizations entails taking proactive steps toward a goal, not just addressing immediate problems as they arise.
  1. Increasingly informed, demanding and non loyal clients (with the capacity to choose).
  2. Increasingly professional and skilled competitors. The system of resident physicians, access to updated knowledge, and continuous training have led to the following:
    - a) it is increasingly easy to find highly qualified trained professionals outside the major centers of large cities; and
    - b) the high level of specialization and excellence among these professionals is increasingly widespread.

# WHY SHOULD HEALTHCARE ORGANIZATIONS USE STRATEGIC PLANNING? DOES IT MATTER?

3. Limited resources for production. A possible response to this situation is the increased obligation to allocate resources on a rational basis, allowing only the best and most efficient HOs to remain.
4. Focus is shifted from the product or service to the client. The focus is no longer solely on the quality of the product or service, but also on how this is transferred to the client and their experience. HOs no longer simply focus on carrying out the processes to the best of their ability, but on achieving patient satisfaction and obtaining the best results possible. What matters is not only what, but how.
5. Size and complexity of the HOs. Increases in the size of the population, their needs, and the diagnostic and treatment options offered has led to physical growth in the size of HOs and increased organizational complexity. Another source of complexity arises from the need to act in collaboration with primary care in relation to a range of diseases, especially chronic ones.

## WHY SHOULD HEALTHCARE ORGANIZATIONS (HO) USE STRATEGIC PLANNING? DOES IT MATTER?

- All these circumstances clearly affect HOs, immersing them in an environment of constant and sudden change both in their external and internal circumstances, and those of their clients.
- In these circumstances, SP is a fully applicable tool that is both useful and relevant to the HO.
- If SP is not conducted, then in a few years HOs could become irrelevant or even cease to exist.



# THE PLANNING PROCESS

- The strategic planning process consists mainly of two interrelated activities: **the development of the strategic plan** and **execution of the organization's strategy**.
- The development of the plan is most often done with a **multiyear time horizon** (3 or 5 or 10 years, for example) and updated **annually**.
- Strategy execution, on the other hand, is done on a continuous basis and is the critical factor in management of the organization's strategic intentions, optimally providing continual feedback for the development of any future plans.





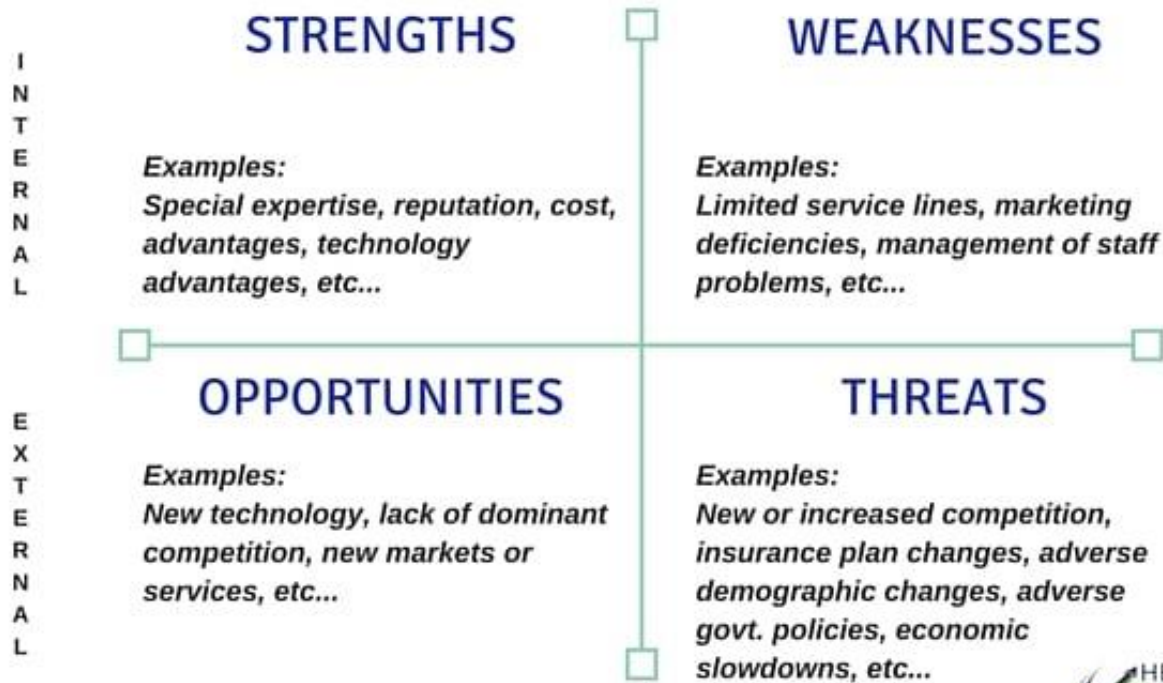
# THE PLANNING PROCESS

- Strategic planning is a dynamic and not a linear process.
- the **SWOT (Strengths, Weaknesses, Opportunities, Threats)** Analysis provides a foundation for strategy development.
- This analysis serves two important functions: to gather a snapshot of how the organization is currently interacting with the market in comparison to the internal capabilities and intended strategic direction of the organization, and to identify market opportunities and threats that the organization may want to address in future strategic efforts.



## SWOT DEFINITION

- **Strengths** – Factors that are likely to have a positive effect on (or be an enabler to) achieving the clinic's objectives
- **Weaknesses** – Factors that are likely to have a negative effect on (or be a barrier to) achieving the clinic's objectives
- **Opportunities** – External Factors that are likely to have a positive effect on achieving or exceeding the clinic's objectives, or goals not previously considered
- **Threats** – External Factors and conditions that are likely to have a negative effect on achieving the clinic's objectives, or making the objective redundant or un-achievable.



# EXAMPLE OF SWOT

# PLANNING PROCESS

- Through analysis of the SWOT, strategy identification can begin.
- In this stage, the organization's leadership team uses the information provided in the SWOT analysis to identify specific strategies that may be worthy of pursuit either to grow the organization or to protect current areas of strength.
- Once these strategies have been identified, they must be narrowed down to a manageable number through selection and prioritization, and tactical implementation plans must be created.
- With the strategic plan completed, operating, marketing, and other supporting plans are developed. Control and monitoring of the plan follows and is most effectively done on an ongoing basis throughout the year.



# SWOT ANALYSIS

- The initial planning phase is often referred to as a SWOT analysis, as it aims to identify the internal strengths and weaknesses of an organization, along with external market opportunities and threats.
- It includes three distinct but intricately related components: the market assessment; the statement of the mission, vision, and values of the organization; and the organizational assessment.

# MARKET ASSESSMENT

- The development of the market assessment may be the most complex and time consuming section of the strategic plan in that, in this component, virtually all aspects of the market must be examined to determine whether they represent opportunities or threats for the organization and to determine their future implications for the organization.
- Any of a number of market assessment models can be utilized for this analysis, but one of the most common is the **Five Forces Model developed by Harvard University professor Michael Porter (1998)**.
- In this model, Porter identifies five market or industry forces that, when combined, determine the attractiveness of competing in a particular market. For health care, this model can be adapted to analyse the interactions between the **power of the healthcare workforce, the power of consumers and payers, innovations in technology, the regulatory environment, and competitive rivalry,**

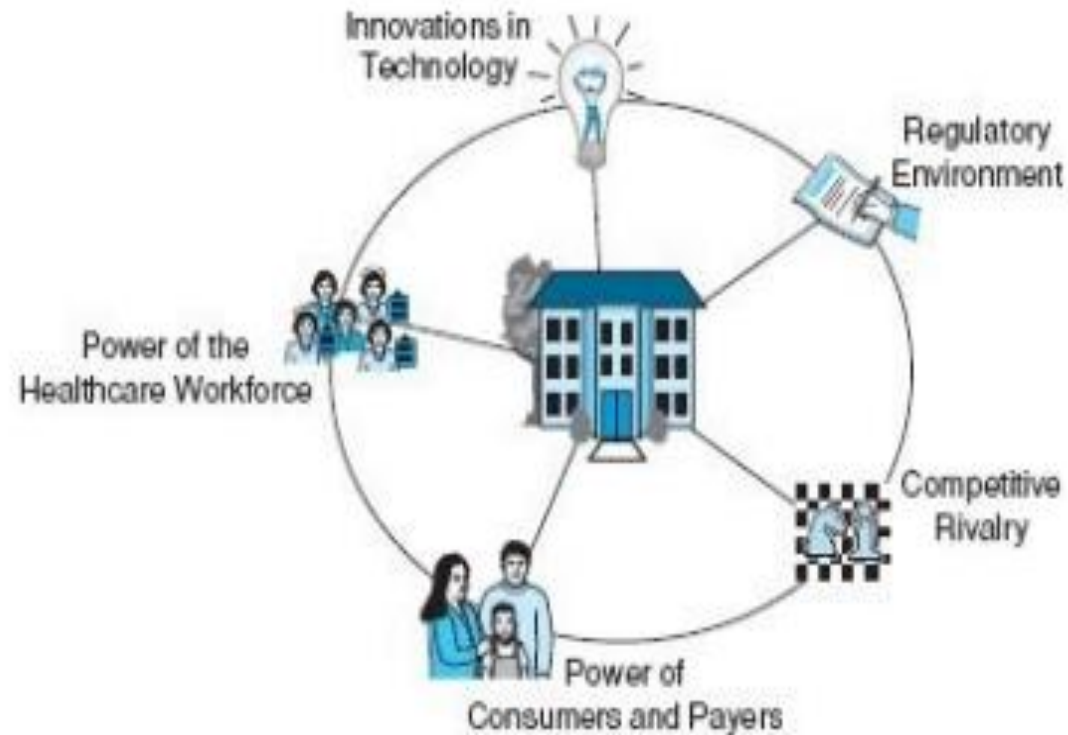
# MARKET ASSESSMENT





# MARKET ASSESSMENT MODEL

**FIGURE 5-2** Market Assessment Model



# POWER OF THE HEALTHCARE WORKFORCE

- The **power of the healthcare workforce** can have significant strategic implications for any healthcare organization, as the workforce is composed of the front line of caregivers in providing services.
- In the SWOT analysis, an organization should look at the availability of all subsets of healthcare providers that are critical to its success.
- As an example, if **obstetrics is a major clinical program of the organization**, the organization should closely consider the future anticipated supply and demand of obstetricians (OBs) in its market. With the significant increases in malpractice insurance targeted at obstetricians across the country, many OBs have elected to discontinue delivering babies and focus solely on gynecology, while others have opted to retire early.
- This has dramatically reduced the supply of obstetricians in many areas of the country and forced some hospitals to hire their affiliated obstetrical staff in an effort to cover their malpractice insurance premiums and keep them practicing.
- Other hospitals have developed “laborists”—OBs who are hired solely to work in the hospital and deliver babies. These moves are examples of strategies that could be adopted by organizations to either maintain or grow their obstetrical services and are in response to market trends.



# POWER OF THE HEALTHCARE WORKFORCE

- Another example of the power of the healthcare workforce is the potential ramifications of the current nursing and radiology personnel shortages. With a shortage of personnel, wage and hiring expenses increase, jeopardizing the ability to offer those specific services.
- A nursing shortage may affect a hospital's ability to add beds to meet growing demand for services. A shortage of radiology technicians may affect an organization's opportunity to offer new state-of-the-art technologies.
- The influence and availability of these and other healthcare personnel (and the organization's dependency on them) must be considered when developing future strategies.



## POWER OF CONSUMERS AND PAYERS

- At the other end of the spectrum, as the ultimate purchasers of health care, the power of consumers is becoming a more significant market force—and one that has required a dramatic shift in the way the industry offers services.
- Today's consumers are demanding more and more from their healthcare providers on all levels (e.g., physicians, payers, hospitals), both in terms of the availability of specific service offerings and in the delivery of those services.
- Historically, healthcare organizations viewed physicians as the primary customers; without them, the organization could not provide services. However, in today's world, the *patient* is becoming the central focus of customer service.
- The potential impact of this shift to a **patient-centric model** needs to be considered when developing future strategies.



## POWER OF CONSUMERS AND PAYERS

- **Consumers** can influence the healthcare market in other ways as well.
- Different communities have different healthcare needs—one community may need increased access to primary care channels, while another may need better health education and screenings.
- By identifying specific **community needs**, healthcare organizations can better target their services and potential growth opportunities. The best way to do this is to understand the consumer.

# POWER OF CONSUMERS AND PAYERS

- Some markets have multiple payers of various sizes and strengths, while others have one or two major payers that dictate market payments.
- In either case, a healthcare organization that relies on these payers must stay abreast of their needs and demands and how each may affect future operations and strategies.
- A good example of this is a market with one or two powerful payers that prefer a “late adopter” stance for new medical technologies. In other words, they prefer not to pay for new technologies until the technologies have been proven either medically effective or financially efficient or both. This would be a significant threat to an organization that strives for a competitive advantage by being first to market with the adoption of new medical technologies.
- Alternately, the power of payers may also create opportunities for an organization. An example would be the general preference of payers for less costly outpatient services. Healthcare organizations that specialize in these types of service offerings (e.g., ambulatory surgery centers, diagnostic/imaging centers) have capitalized on this payer influence in many areas of the country.

# INNOVATIONS IN TECHNOLOGY

- Another market force to be considered is innovations in technology. These innovations may represent the threat of substitute products, as new technologies often replace standard operations and services.
- A good example of this is the introduction of Picture Archive Communication Systems (PACS). This filmless imaging system significantly reduces the need for storage space for films and readers and the staff to maintain those areas and allows for remote electronic accessing of files, ultimately requiring a potentially smaller number of physicians necessary to interpret the images.
- Innovations in technology may also reduce the need for other types of clinical staff, as in the case of some surgical innovations (e.g., minimally invasive surgery, robotic technologies, drug advancements, etc.) and/or they may significantly increase the requirement of financial resources, as in the case of new radiology equipment (e.g., a new CT scanner, new fluoroscopy equipment, MRI, etc.).
- As these and other new technologies become available, their potential impact on operations and systems needs to be considered in strategy development.





# THE REGULATORY ENVIRONMENT

- As a market force, the **regulatory environment**—on all levels, federal, state, and local—needs to be monitored for its effects on strategy development as well.
- Congress continually enacts influential legislation, such as the 1986 Emergency Medical Treatment and Active Labor Act (EMTALA), the 1996 Health Insurance Portability and Accountability Act (HIPAA), and the current focus on mandatory error reporting and physician self-referrals, that has significant and rippling effects on all participants in the healthcare industry.
- the Centers for Medicare and Medicaid Services (CMS) take the lead in changes in healthcare payment formulas that are frequently followed by payers at local levels.
- Other far-reaching issues such as quality of care measures may be dealt with on local, state, and federal levels as well.
- All of these actions can influence a particular healthcare organization's strategy and need to be monitored and analyzed for their potential impacts.

# COMPETITIVE RIVALRY

- **Competitive rivalry**, the last market force to be considered, is probably given the most significant attention in most organizations' strategy development.
- Although it is highly unlikely that you will gain access to the actual strategy of your competitors, much information on their strategic intent can be gleaned from their market activities.
- Information on their service volumes, market share, and news coverage and press releases should be monitored.
- Compiling this information together to see a larger picture often leads to an indication of competitors' strategies.
- Once their strategic intent has been identified, market opportunities for and threats against your own organization can be further addressed.



# MISSION, VISION, VALUES

- The information gleaned regarding the interaction of these five forces (healthcare workforce, consumers and payers, innovations in technology, regulatory environment, and competitive rivalry) in the market is matched against the organization's **Mission, Vision, and Value (MVV)** statements.
- As the driving purpose of the organization, the MVVs are reviewed as part of the strategic planning process to ensure they continue to be aligned with the organization's future market environment and to help identify future desired strategic directions.
- The **mission** of any organization is its enduring statement of purpose. It aims to identify what the organization does, whom it serves, and how it does it.
- For example, Radiologix, a radiology services company, “strives to be the premier provider of diagnostic imaging services through high-quality service to patients, referring physicians and mutually beneficial relationships with radiologists who provide expert interpretations of diagnostic images”

Strategic Plan Company Slogan here		 COMPANY NAME
Company Overview		
Mission Statement	Our mission is to provide the best template for our customers. We are dedicated to creating a profession, catchy and engaging designs for your clients. These available templates can be used to get more sales and attract potential investors. We are committed to developing a user-friendly PDF editor that can be used by our customers to customize these templates.	
Vision Statement	Our vision is to create professional looking PDF templates on the go. These available templates can be used to get more sales and attract potential investors. This will make our users have a peace of mind and focus on their work. We are committed to developing a user-friendly PDF editor that can be used by our customers to customize these templates.	
Core Values	These are the Core Values of the ABC Company: 1. Commitment 2. Client focus 3. Growth 4. Integrity 5. Leadership	
Summary	ABC Company is a web application that provides PDF templates to the users. These available templates can be used to get more sales and attract potential investors. We are committed to developing a user-friendly PDF editor that can be used by our customers to customize these templates.	

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# MISSION, VISION, VALUES

- On the other hand, a **vision** statement strives to identify a specific future state of the organization, usually an inspiring goal for many years down the road.
- The vision of the American Hospital Association is “of a society of healthy communities, where all individuals reach their highest potential for health”.
- The **values** statement should help define the organization's culture—what characteristics it wants employees to convey to customers.
- An example of one such value from Duke University Health System in North Carolina is: “We earn the trust our patients place in us by involving them in their health care planning and treatment and by exceeding their service expectations”.



# MISSION, VISION, VALUES

- Although the mission statement is generally the most enduring of the three, each of these statements may be altered over time to adapt to the environment.
- As an example, the increasing influence of **consumerism** in health care drove an organization to revise its vision and value statements to become more **customer service focused**, which in turn (hopefully) helped to change the organization's culture.
- Reaffirming and/or adjusting these three statements in relation to market activity is a critical step in determining the desired future state of the organization.



# REFERENCE

Buchbinder, S. B., Shanks, N. H., & Kite, B. J. (2019). *Introduction to health care management*: Jones & Bartlett Learning.



Thank you!