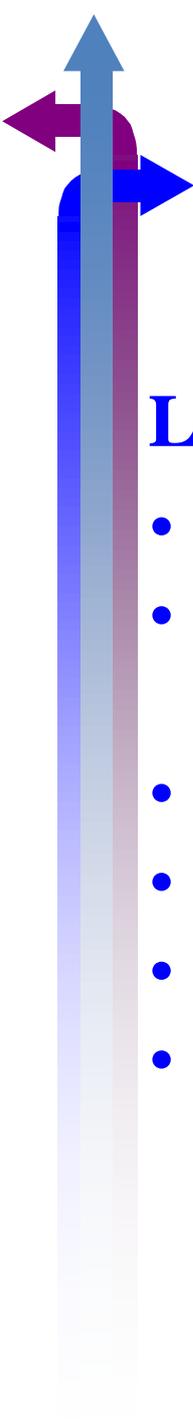


**King Saud University
College of Business Administration
Department of Health Administration
Masters` Program**

***HHA 518 – Strategic Management
in Healthcare Organizations*
*Second Semester 1441/ 1442***

Mohammed S. Alnaif, Ph D.

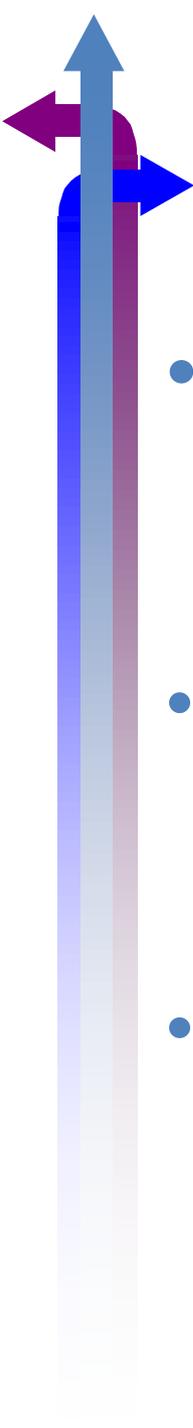
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Strategic Planning

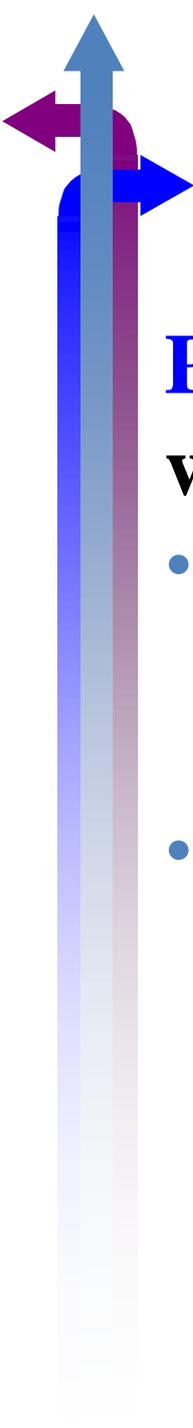
Learning Objectives

- **Explain what planning is,**
- **Compare and contrast planning at different levels,**
- **Explain a model of strategic planning,**
- **Describe implementation of plans,**
- **Explain project planning,**
- **Understand useful planning guidelines**



Strategic Planning

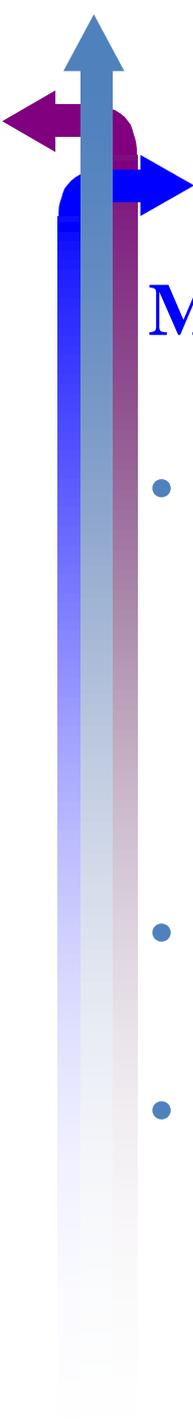
- **Planning** is a technical managerial function that enables **HSOs** to deal with the present and anticipate the future.
- Simply put **planning** is setting goals and objectives and deciding how best to achieve them.
- The **planning** activity is the first of the five fundamental management functions.



Strategic Planning

PLANNING: is how we achieve what we want to achieve.

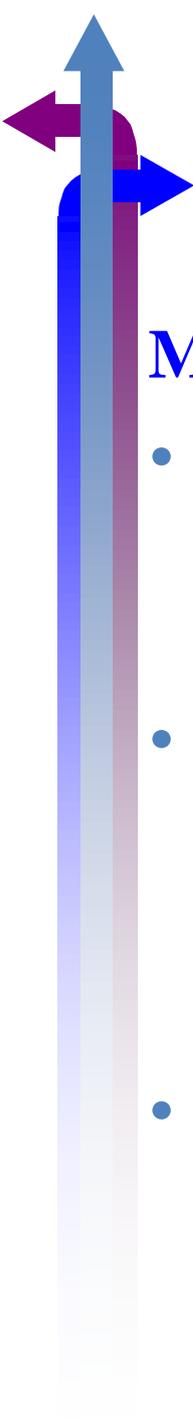
- For health care organization **planning** means determining or setting an organization's goals and deciding how best to achieve them.
- It is a systematic and an objective process of mobilizing information and organizing resources to achieve the desired goals of the health care organization.



Strategic Planning

Managers plan at all levels of the organization hierarchy

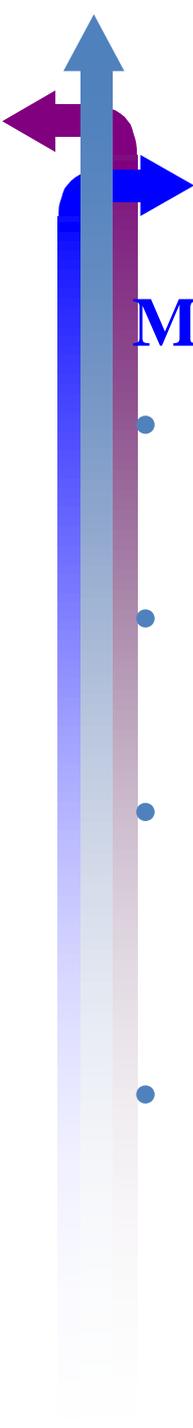
- **Top-level Management:** is responsible for determining the long range goals of the organization, setting the overall direction, and formulation of the strategic plans for the organization.
- There plans have an enormous **consequences** for **HCO's** survival and prosperity.
- This is done through a **systematic analysis** of both the *external* and the *internal* environment.



Strategic Planning

Managers plan at all levels of the organization hierarchy

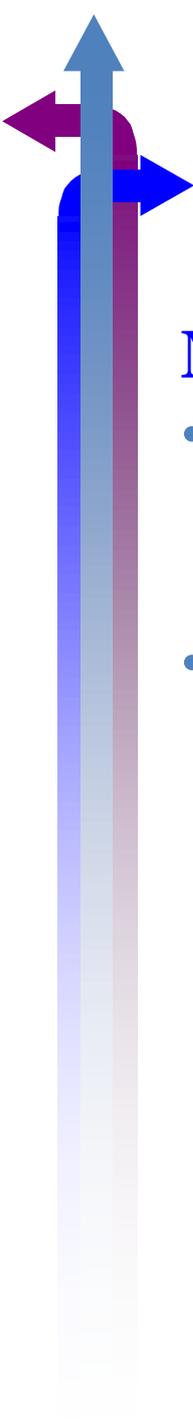
- **Middle-Management:** personnel are responsible for coordinating and integrating goal-related activities.
- They **serve as the link** between the **strategic** long-range decisions made by the **top-level staff** and the operating and tactical decisions carried out by **lower-level managers**.
- **Their plan** identify what different **departments** will do to achieve the broad long term plan.



Strategic Planning

Managers plan at all levels of the organization hierarchy

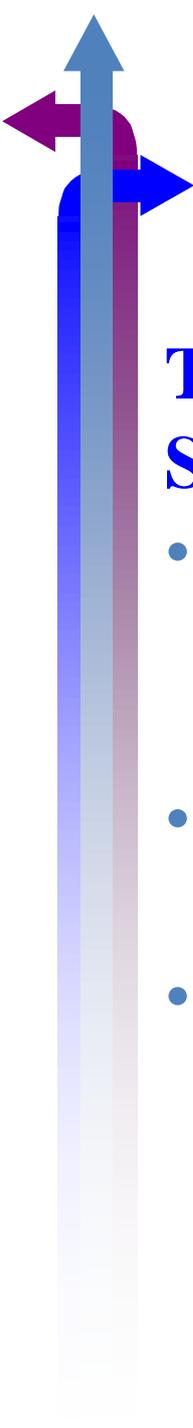
- **Lower-level Management:** are responsible for day-to-day planning.
- They are more concerned with what will be happening during the **next six months**.
- While receiving direction from the middle managers, the majority of their time is devoted to dealing with **short-run-problems**.
- They are actually more interested in directing and controlling operations than in planning them.



Strategic Planning

Managers plan at all levels of the organization hierarchy

- **Many HCOs avoid pure top-down planning.** In which top managers make the plans and determine the goals by themselves.
- **Instead the planning is partly bottom-up,** meaning that lower-level work units and employees provide input to top managers for higher level plans.
 - **Provide important information and perspectives about the HCO's current and future needs.**
 - **When lower-level workers participate in the planning process, they become more committed to implementing the final strategic plan and making it happen.**



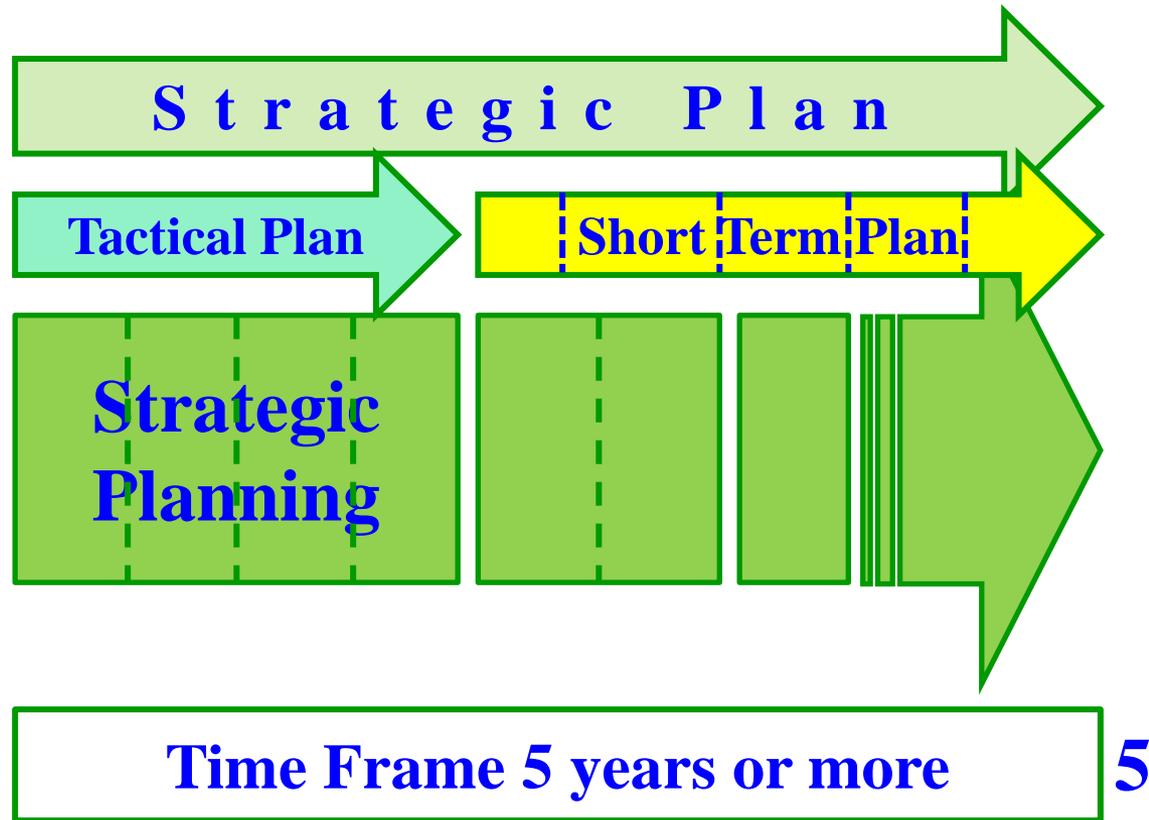
Strategic Planning

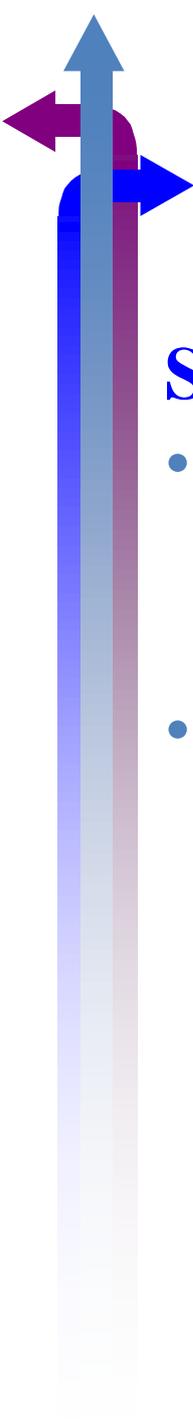
Time Frame for Planning

Strategic planning: Long - Range Planning

- **Strategy** is the pattern (outline) of the organization's goals and the major policies and plans it has for achieving these goals.
- **Strategic planning** is the process of developing strategy.
- **Strategic planning** is a decision making activity that defines where the organization is going, sets future direction, and guides its future efforts.

Strategic Planning





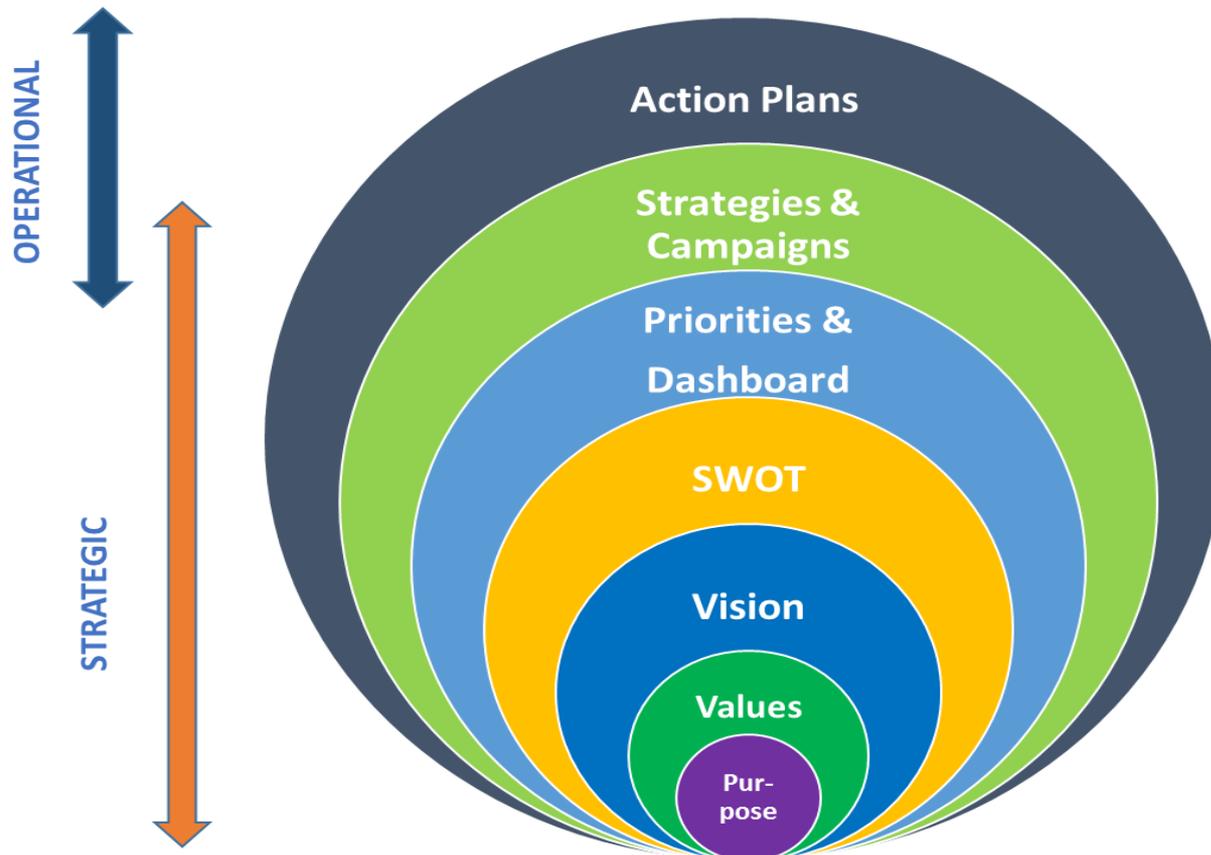
Strategic Planning

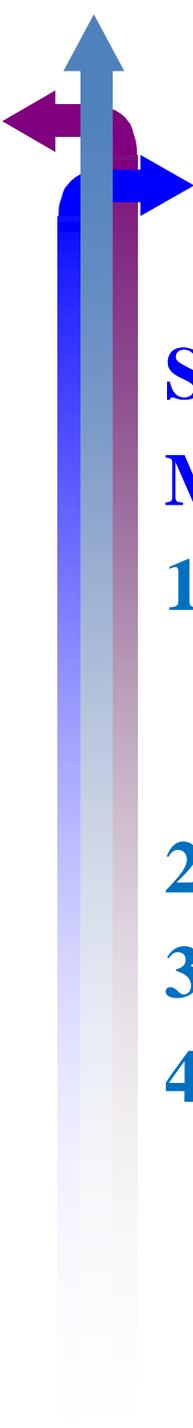
Strategic planning: Long - Range Planning

- **The strategic planning perspective focuses on the organization and its ability to accomplish its mission in a fiscally responsible manner.**
- **It is a disciplined effort that produces fundamental decisions and actions that shape and guide what an organization is, who it serves, what it does, and why it does it, with a focus on the future.**

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy

Strategic Plan Building Blocks



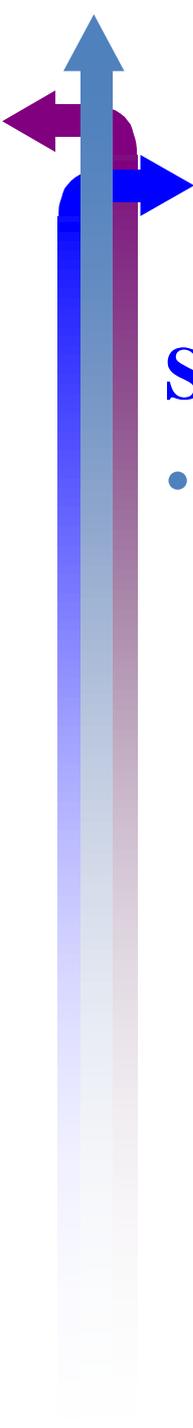


Strategic Planning

Strategic planning: Long - Range Planning

Major elements of strategic planning:

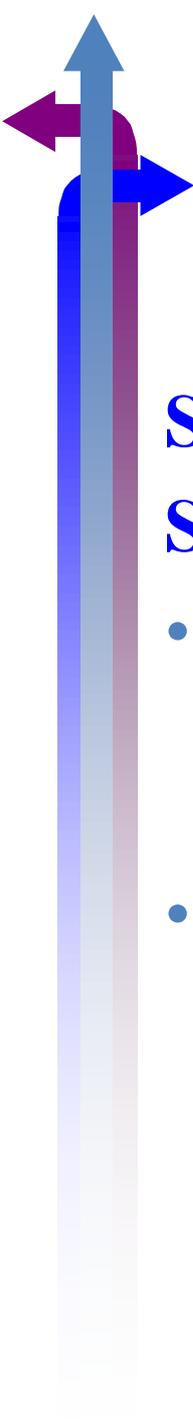
- 1. It focuses on matching the resources and skills of the health organization with the needs of the community.**
- 2. It is performed by top-level-managers.**
- 3. It has a long run time frame.**
- 4. It is expressed in relatively general, nonspecific terms.**



Strategic Planning

Strategic planning: Long - Range Planning

- **It is the vehicle that senior management should use to set the organizational vision, determine the strategies required to achieve that vision, make the resource deployment decisions to achieve the selected strategies, and build alignment to the vision and strategic direction throughout all levels of the organization.**

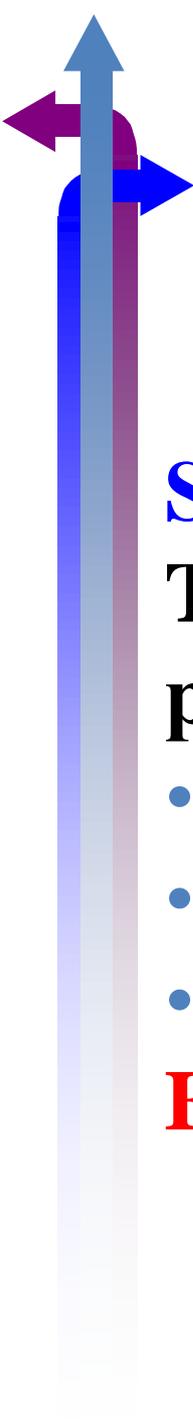


Strategic Planning

Strategic planning Approach

Stage 1: Environmental Assessment (Where are we?)

- **Assess the organization's external environment and the HCO's current position in that environment. (Exhibit 3.3.)**
- **This stage actually includes both an external environmental assessment and an internal organizational assessment.**



Strategic Planning

Strategic planning Approach

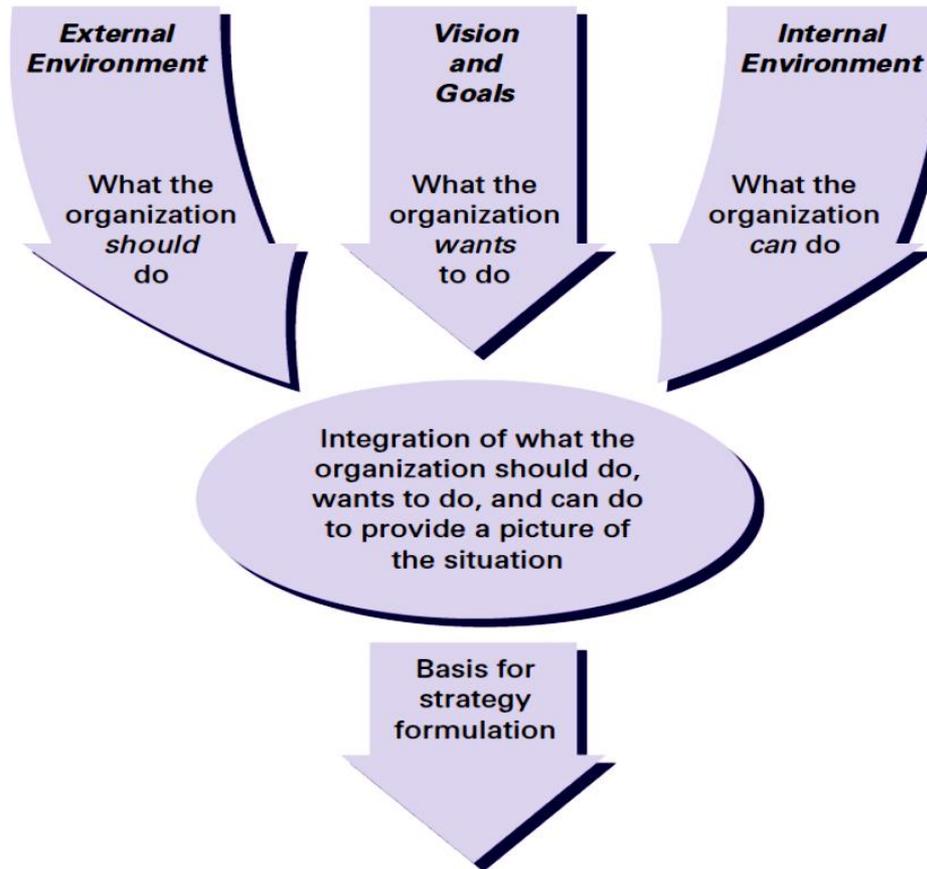
The **environmental assessment in stage 1** provides information regarding the HCO's

- What the organization **can do?**
- What the organization **wants to do?**
- What the organization **should do?**

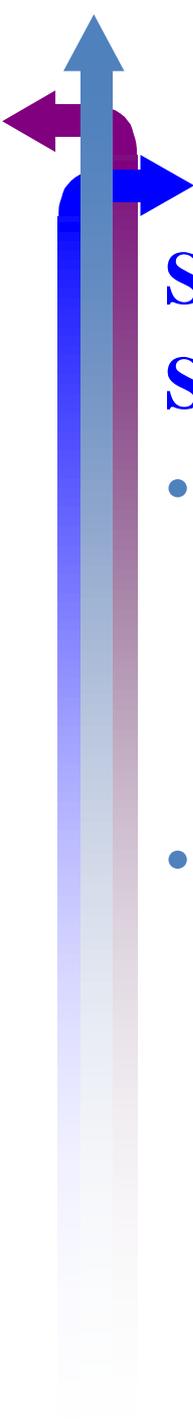
Exhibit 3.2

Strategic Planning

Exhibit 3.2: Analyzing and Understanding the Situation



Source: Adapted from Fred Luthans, Richard M. Hodgetts, and Kenneth R. Thompson, *Social Issues in Business: Strategic and Public Policy Perspectives*, 6th edn. © 1990, p. 13. Adapted by permission of Prentice-Hall, Inc., Upper Saddle River, NJ.



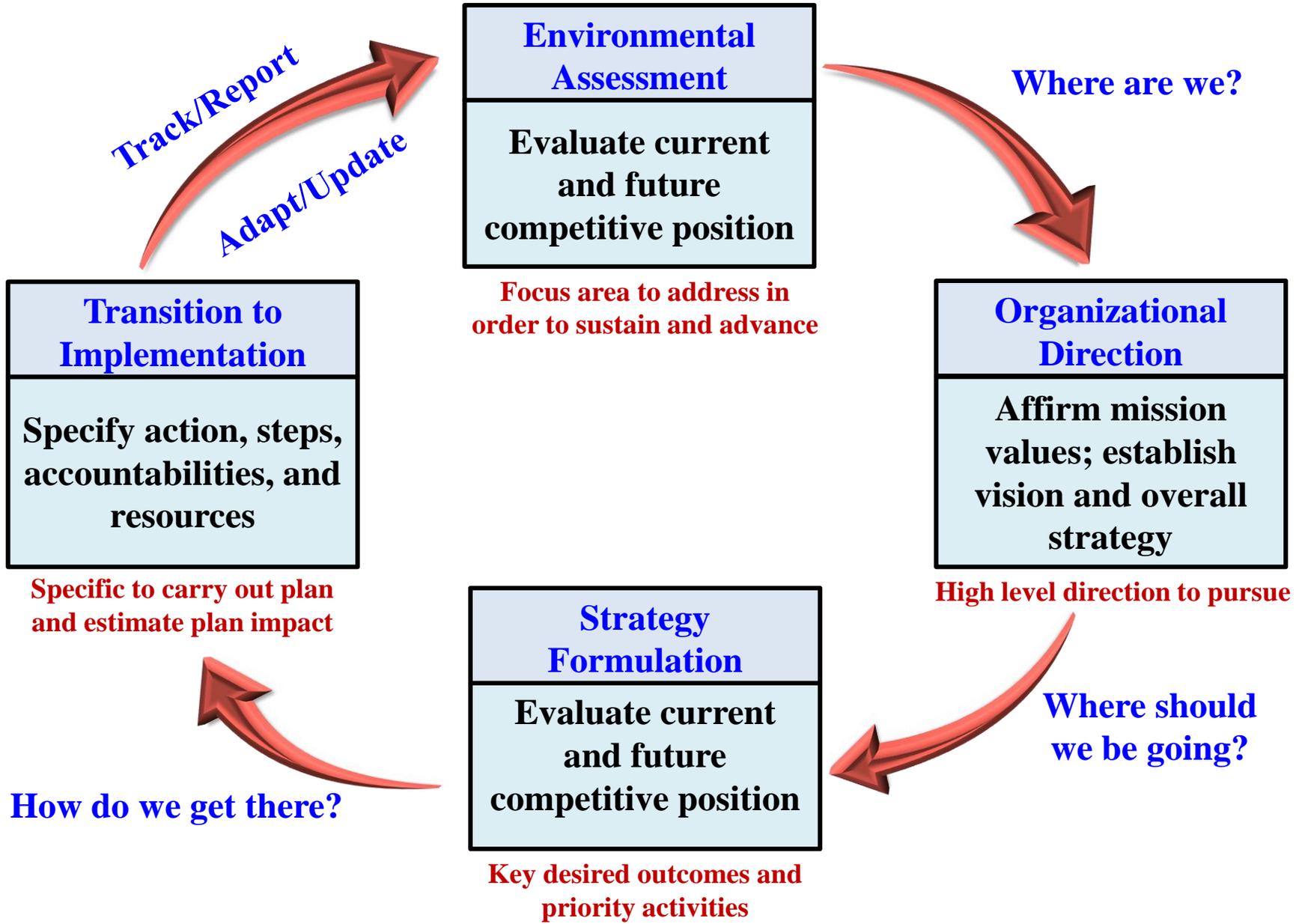
Strategic Planning

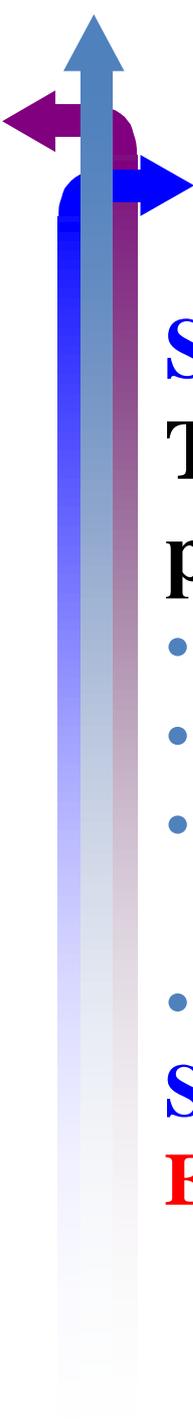
Strategic planning Approach

Stage 1: Environmental Assessment

- For the **external assessment**, planners should consider healthcare forces and trends (e.g., demographic, economic, social, financial, technological, and legal)
- For the **internal (organizational) assessment**, planners should consider the HCO's mission, culture, image, facilities, equipment, quality, workforce, finances, competencies, management, and other characteristics.

Exhibit 3.3. The Strategic planning Approach





Strategic Planning

Strategic planning Approach

The environmental assessment in stage 1 provides information regarding the HCO's

- **Internal strengths that it can build on**
- **Internal weakness that it try to reduce**
- **Internal and external opportunities to pursue for competitive advantage, and**
- **External threats to protect against.**

Strengths, Weaknesses, Opportunities, Threats

Exhibit 3.4. A hospital strategic profile and SWOTs

Exhibit 3.4. A hospital strategic profile and SWOTs

Sample Strategic SWOT Analysis for a Hospital

Strengths

- Design of the building.
- Geographical location.
- History and reputation.
- Competent clinical staff members.
- Comprehensive services.

Weaknesses

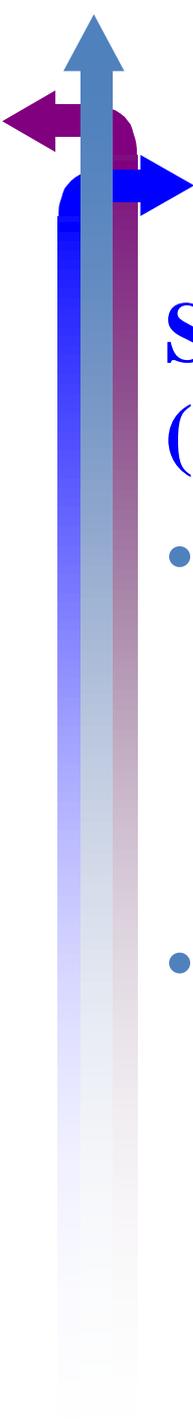
- High turnover rates.
- Poor internal communication.
- Lack of a website (in the era of internet).
- Many of the non-clinical staff members lack English language and computer skills.
- Lack of any well-recognized accreditation.

Opportunities

- Acquiring a higher market share after being renovated and JCI-accredited.
- An unsaturated market which can tolerate the opening of new branches and/or satellite clinics in strategic locations.
- Affiliation with an American hospital /center /group and arrangement for periodic visits of its clinical experts.

Threats

- Potential competitors who will enter the market in the near future (whether local or international ones).
- Increased power of the healthcare insurance companies which sent us more than 60% of the total cases admitted at our hospital last year.

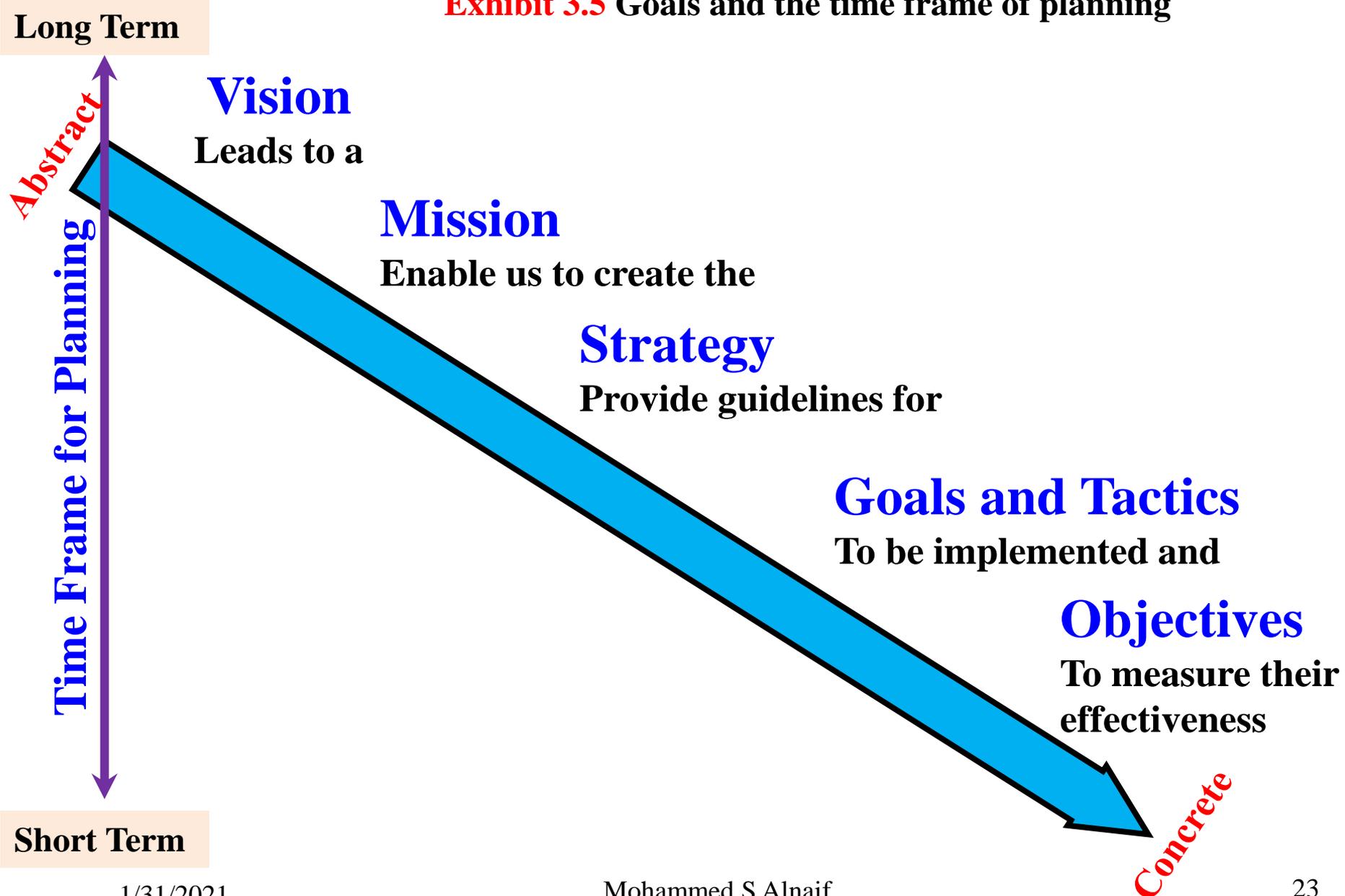


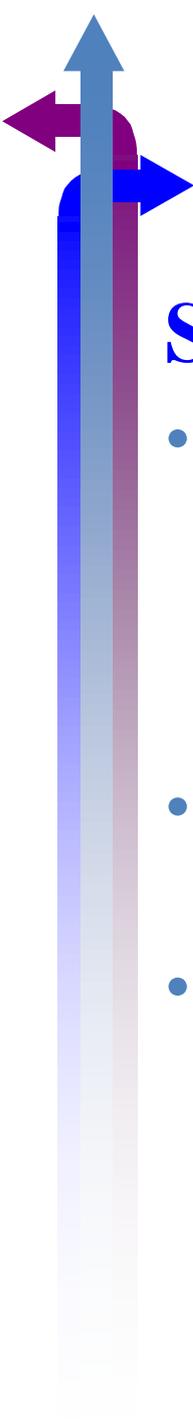
Strategic Planning

Stage 2: Organizational Direction (Where should we be going?)

- **This process establishes the HCO's general direction, which will enable the HCO to fit and prosper in the future external environment conceived in stage 1.**
- **To do this managers review and decide four things their organizational **Mission, Vision, Values, Strategy.****

Exhibit 3.5 Goals and the time frame of planning

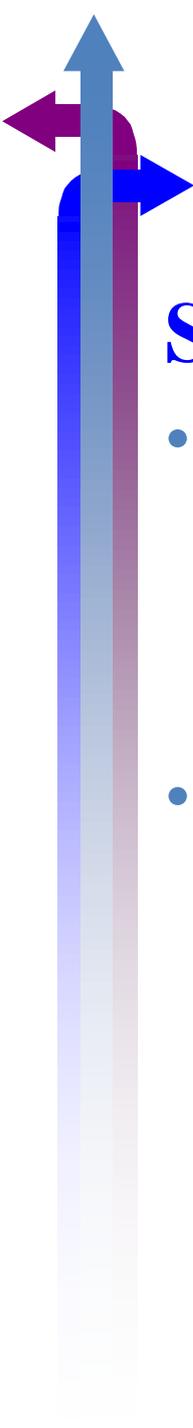




Strategic Planning

Stage 2: Organizational Direction

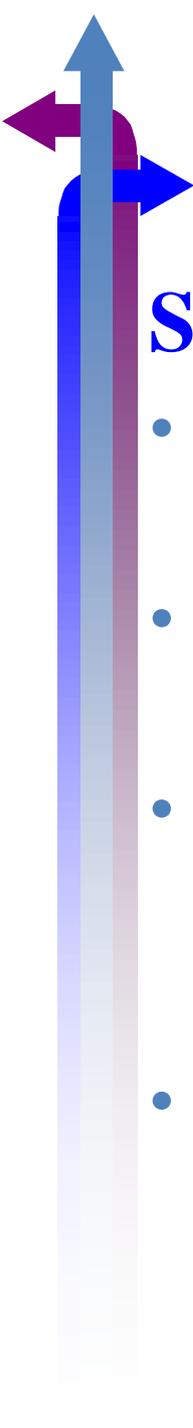
- You begin with a purpose the *Purpose* of an organization can be viewed as its basic goal, defined by the societal context in which it operates. **Why does the organization exists?**
- The **vision** statement describes what the organization will look like in the future.
- It also provides direction to everyone in the organization as they focus their efforts on achieving the vision.



Strategic Planning

Stage 2: Organizational Direction

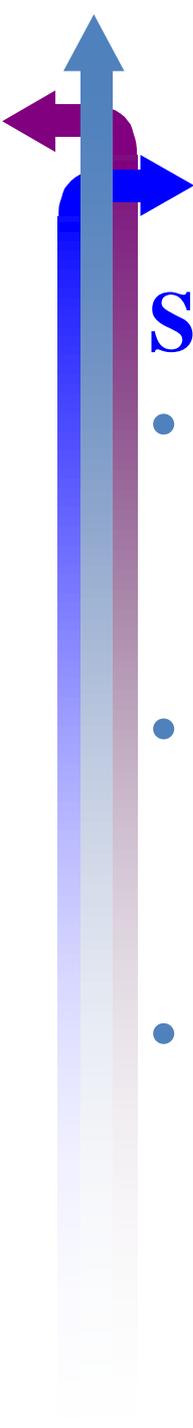
- The **mission** describes an organization's reason for existence, the general functions of services it performs, and the limits of its jurisdiction and authority.
- A hospital may emphasize curative and rehabilitative service and less emphasis on preventive services. A university may choose to put more emphases on the transmission of knowledge (teaching) and less emphasis on the discovery of knowledge (research).



Strategic Planning

Stage 2: Organizational Direction

- The **vision** statement focuses on tomorrow and what the organization wants to become.
- The **mission** statement focuses on today and what the organization does.
- While organizations commonly use **mission** and **vision** statements interchangeably, it's important to have both.
- Your **mission** is your **vision** in action, connecting your **purpose** with your impact.



Strategic Planning

Stage 2: Organizational Direction

- The **mission** statement describes what the organization needs to do now to achieve the **vision**.
- The **vision** and **mission** statements must support each other, but the **mission** statement is more **specific**.
- The **mission** defines how the organization will be different from other organizations in its industry.

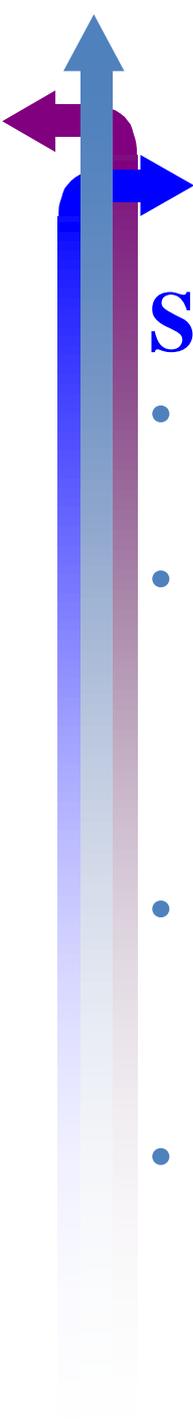
Strategic Planning

KSU Medical City

Vision, To be the foremost academic medical city in the Middle East that aims to advance the practice of medicine by nurturing future generations of Healthcare leaders.

Mission

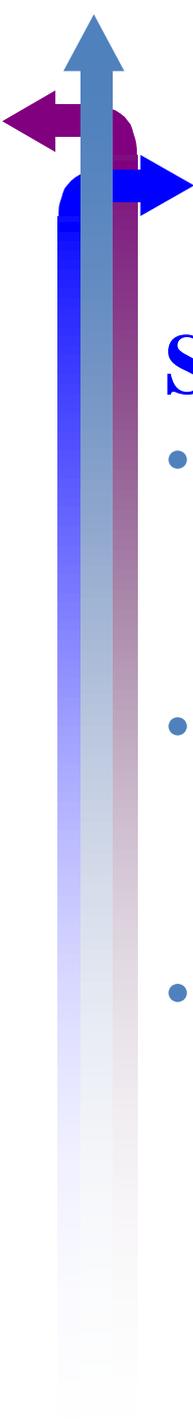
- To provide distinctive and interdisciplinary **education** to future Healthcare leaders.
- To provide excellent and humane **healthcare** to our patients in an enriching environment for our students and staff.
- To foster **research** and innovation that support KSU's vision and primarily serve the needs of the Kingdom.



Strategic Planning

Stage 2: Organizational Direction

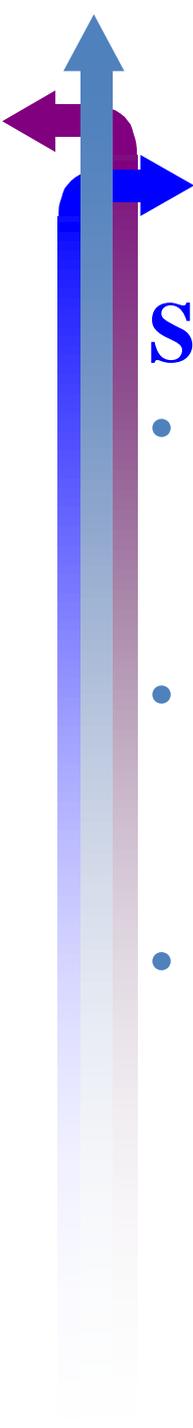
- **Values** are the core beliefs an organization is strongly committed to.
- The **values statement** defines what the organization believes in and how people in the organization are expected to behave—with each other, with customers and suppliers, and with other stakeholders.
- **Values** provides a moral direction for the organization that guides decision making and establishes a standard for assessing actions.
- It also provides a standard for employees to judge violations.



Strategic Planning

Stage 2: Organizational Direction

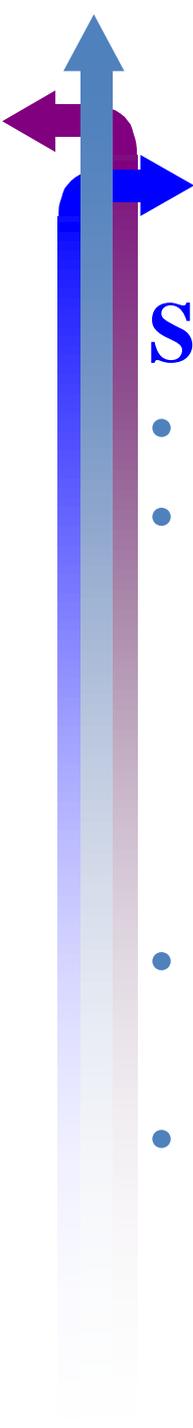
- **Strategy** is the primary means by which an organization intends to achieve its **mission** and **vision**.
- **Strategy** guides an HCO's decisions, actions, and behaviors in a consistent way to gain competitive advantage is the HCO's
- An organization **strategy** should include short- and long-term goals and should explain how those goals will be achieved.



Strategic Planning

Stage 2: Organizational Direction

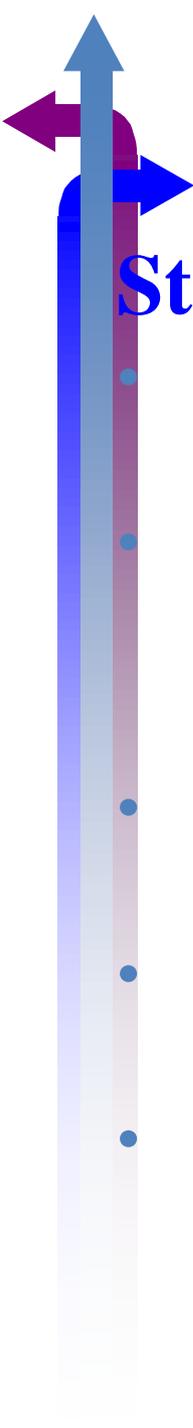
- **Strategy** is focused on present actions and outcomes needed to move closer to achieving the mission.
- Organization **strategies** evolve and are updated over time to adjust for current factors such as local economic conditions and organization needs.
- **Managers** may have to revise the **strategy** during each **strategic planning cycle** to ensure it fits the changing environment, competitors' strategies and new threats and opportunities.



Strategic Planning

Stage 2: Organizational Direction

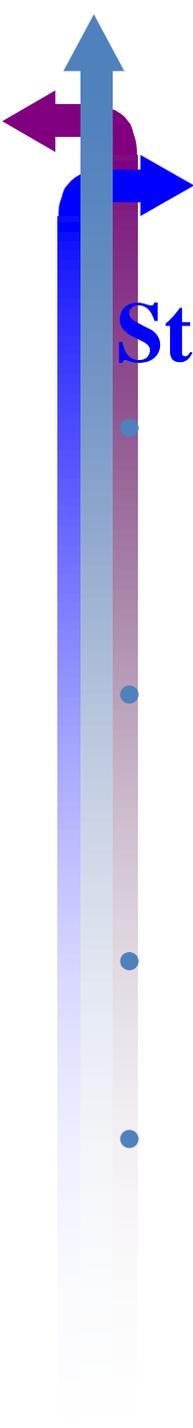
- There are different levels of strategies:
- **Grand Strategy (corporate)** : more comprehensive normally **provides a framework** for other types of planning and is more related to policy analysis than with details of implementation. **e.g., the five year development plan.**
- **Business Strategy**: involves determining how best to meet the health care need of the population.
- **Functional Strategy**: is one developed for a major functional area such as **Primary Health Care.**



Strategic Planning

Stage 2: Organizational Direction

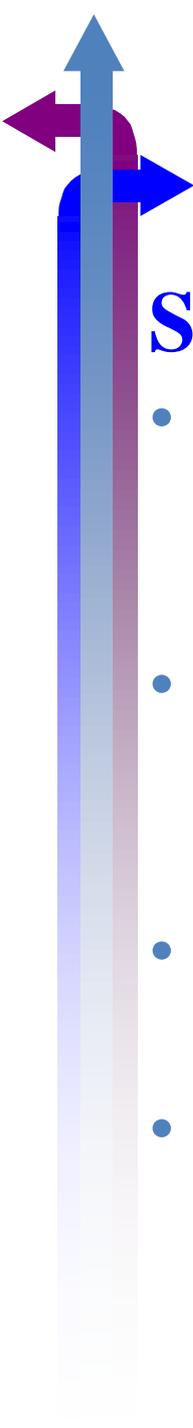
- One well-known approach to **strategy** is based on two broad patterns of action.
- An organization may gain **competitive advantage** to succeed in its market by using either the **low cost strategy** or **differentiation strategy**.
- Using the **low cost strategy**, an HCO would drive down its costs as low as possible.
- The HCO would **not offer expensive features** and upscale comforts.
- The HCO's facility would not be spacious and attractive, but **its costs would be low**.



Strategic Planning

Stage 2: Organizational Direction

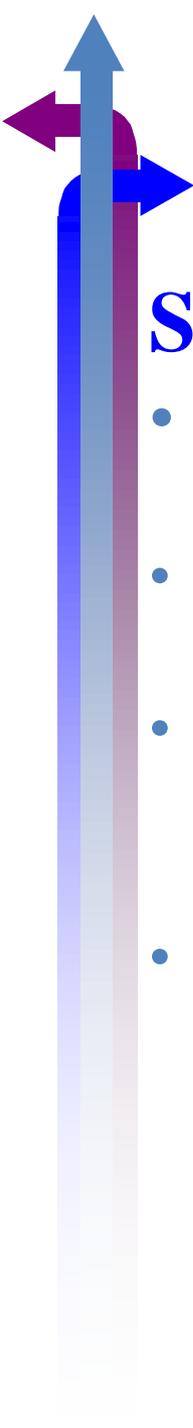
- An HCO using *differentiation strategy* would add features that make its products and services different in a way customers like.
- **For example**, the facility would be more spacious and attractive than other facilities (but its costs would be higher).
- **Managers** of HCOs should be careful when using the **low-cost strategy**.
- Some people assume that **low costs** and prices mean **low quality**.



Strategic Planning

Stage 2: Organizational Direction

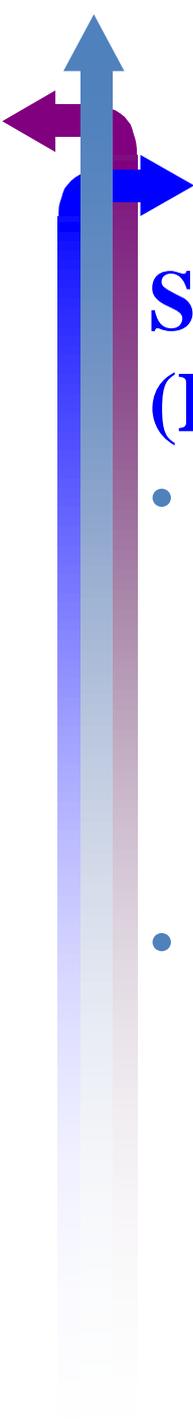
- A *goal* is a long-range specified state of accomplishment toward which programs are directed.
- It is not cast in terms of current availability of resources or a fixed time for achievement, but it must be consistent with the mission.
- A **goal** for a hospital may be to improve the quality of health care delivery.
- At the lowest level of **abstraction** are the organization's **objectives**.



Strategic Planning

Stage 2: Organizational Direction

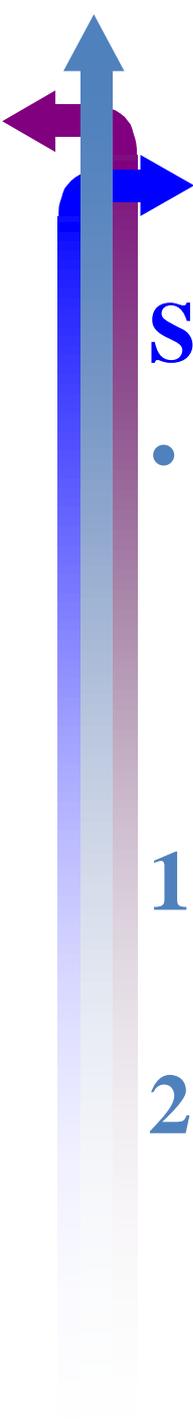
- ***Objectives*** are statements of how an organization intends to fulfill its long-range goals or mission.
- An **objective** is stated in terms of achieving a measured amount of progress toward a **goal**.
- **Objectives** are generally expressed in more specific terms and include a more definite time frame than the organization's long-range **goals** or **mission**.
- Hospital **objectives** may include: increase the number of beds by 150 next year; Decrease by 10% waiting time in emergency room before contact with a physician; Cut costs of medical supplies inventory by 4% next year.



Strategic Planning

Stage 3: Strategy Formulation (How do we get there?)

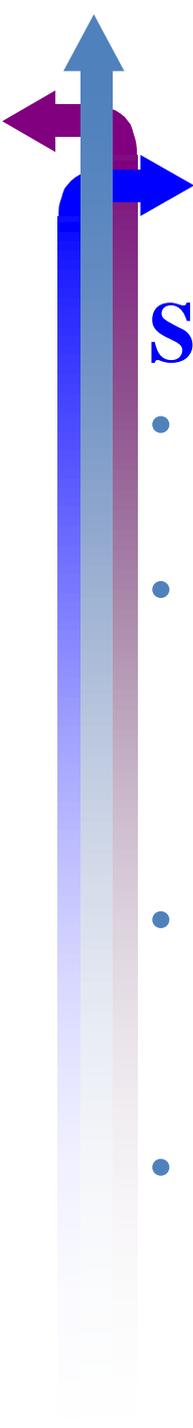
- **Strategy formulation** refers to the process of choosing the most appropriate course of action for the realization of organizational goals and objectives and thereby achieving the organizational vision.
- **Strategy formulation** addresses the **critical issues** previously identified in stage 1 assessments, and it either reaffirms or revises them.



Strategic Planning

Stage 3: Strategy Formulation

- **These issues** must be resolved for the **HCO** to achieve its **vision** and **mission** in the forecasted market and environment. **Two examples** of critical issues are
 1. **Integration** with partners in the continuum of care
 2. **Cost reduction** to thrive under value-based reimbursement.



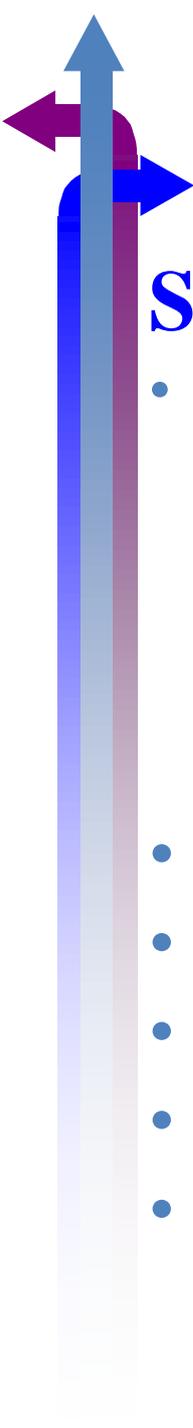
Strategic Planning

Stage 3: Strategy Formulation

- Planners and managers should choose a limited number of **critical issues**.
- A typical approach is to identify no more than **ten potential issues** for further consideration. The most time and effort should then be devoted to the essential issues.
- **For each issue**, managers must set a **measurable goal** that, when achieved, will resolve the issue and enable the HCO to move toward its vision and mission.
- **Exhibit 3.5** shows examples critical issues and metrics to measure goal achievement for those issues.

Exhibit 3.6 shows examples critical issues and metrics to measure goal achievement for those issues

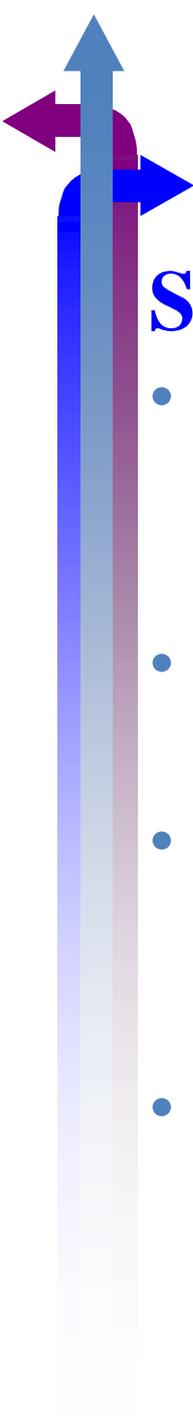
Critical issues	Key metrics for goals
Coordinate care to deliver value	<ul style="list-style-type: none">• Top decile nationally in clinical quality• Top decile nationally in service excellence• Top decile nationally in lowest cost of care
Expand partnership	<ul style="list-style-type: none">• 80% of affiliated providers (e.g., physicians, care extenders) are accountable for performance measures• “Employer of choice” in the market• 50% increase in annual philanthropic contributions
Grow across the full continuum of care	<ul style="list-style-type: none">• Grow net revenue by 25% + to ensure the appropriate scale to execute strategic initiatives• Increase market share by 5% (on average) across all services• Increase total covered lives by 30%



Strategic Planning

Stage 3: Strategy Formulation

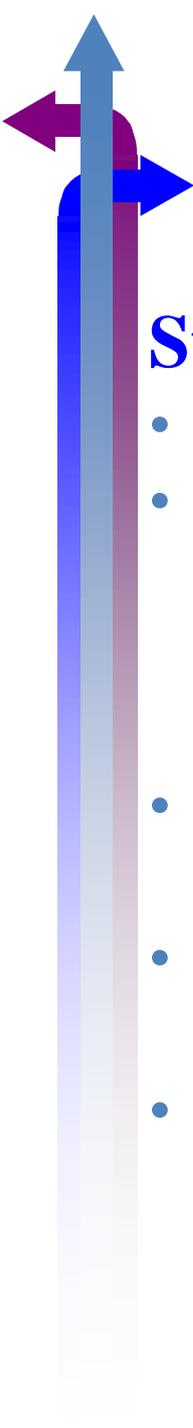
- The management team can now break down each goal into objectives that should be achieved in shorter time periods. Healthcare organizations must define their objectives in terms of performance expectations. Well-defined goals have the following characteristics, known as **SMART** which stands for:
 - **Specific**
 - **Measurable**
 - **Achievable**
 - **Realistic**
 - **Time-bound.**



Strategic Planning

Stage 4: Transition to Implementation

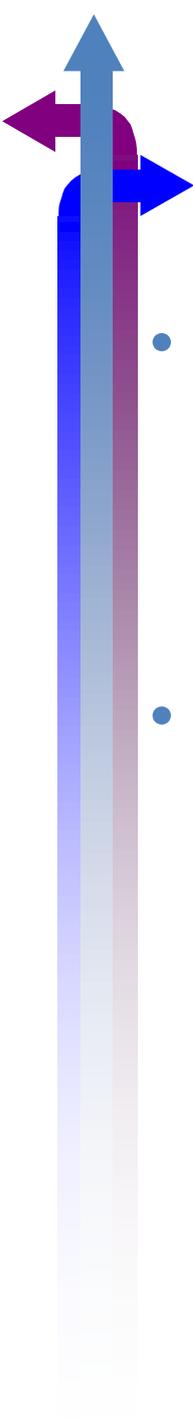
- **Implementation** is the process that turns **strategies** and **plans** into **actions** in order to accomplish strategic objectives and goals.
- **Implementing** your strategic plan is as important, or even more important, than your strategy.
- **Critical actions** move a strategic plan from a document that sits on the shelf to actions that drive business growth.
- Sadly, the **majority of companies** who have strategic plans fail to implement them.



Strategic Planning

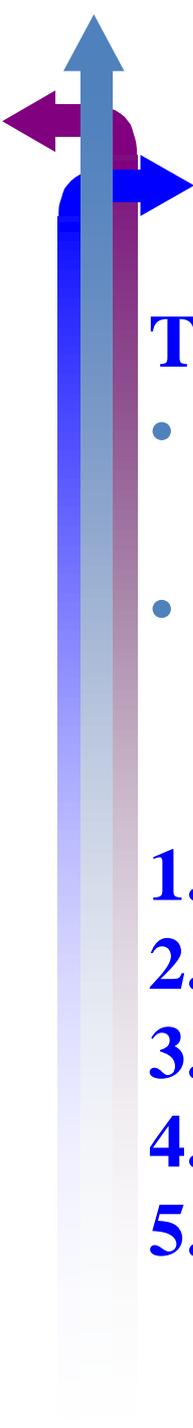
Stage 4: Transition to Implementation

- Managers add more detail to the **plans**.
- They specify the actions, steps, tasks, and schedules to achieve the objectives to achieve the **goals** that resolve critical issues and achieve the organization's **mission** and **vision**.
- Managers allocate resources and assign responsibility to specific positions to achieve the **objectives** and **goals**.
- Work now shifts from top managers to managers and staff at lower levels of the vertical hierarchy.
- Work also shifts from **strategic planning** to **project planning** and day-to-day **operations**.



Strategic Planning

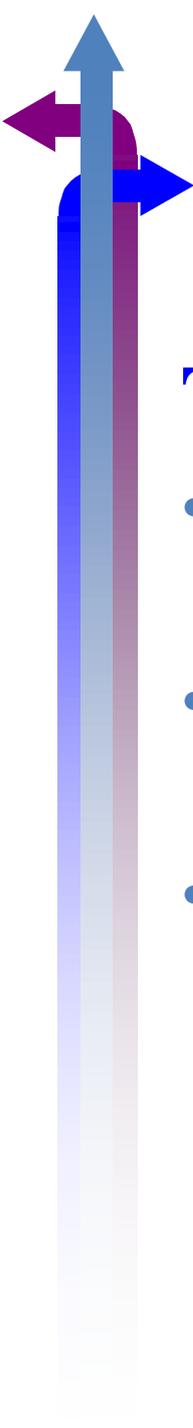
- **Intermediate Planning:** tactical plans less tentative, less subject to change, and goals are more specific. It is a collection of plans to achieve the organization strategy.
- **Short Range planning:** Day-to-day activities, they usually fall into two categories:
 - **Operational Plans:** serve to operationalize strategic, long-range, or intermediate plans.
 - **Reaction Plans:** are plans designs to allow the health care organization to react to an unforeseen circumstance.



Strategic Planning

The Planning Process

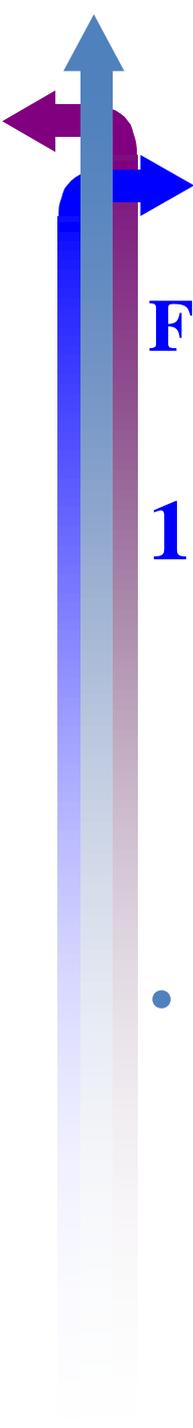
- The **planning process** depends on scope and time frame of the plan.
 - Most simple plans may require **only five steps**; other plans might require more steps to be accomplished.
1. **Establish** goals and objectives
 2. **Develop** alternatives to reach these goals
 3. **Select** the best alternative
 4. **Implementation**
 5. **Evaluation.**



Strategic Planning

The Nature of Organizational Goals

- All **organizations** have multiple **goals**, or a set of goals they work to achieve.
- To speak of an organization's “**goal**” as though it had only one is a great oversimplification.
- Because **organizations** have many **goals** of different kinds, it is important that they be coordinated and that they all move the organization in the **same direction**.

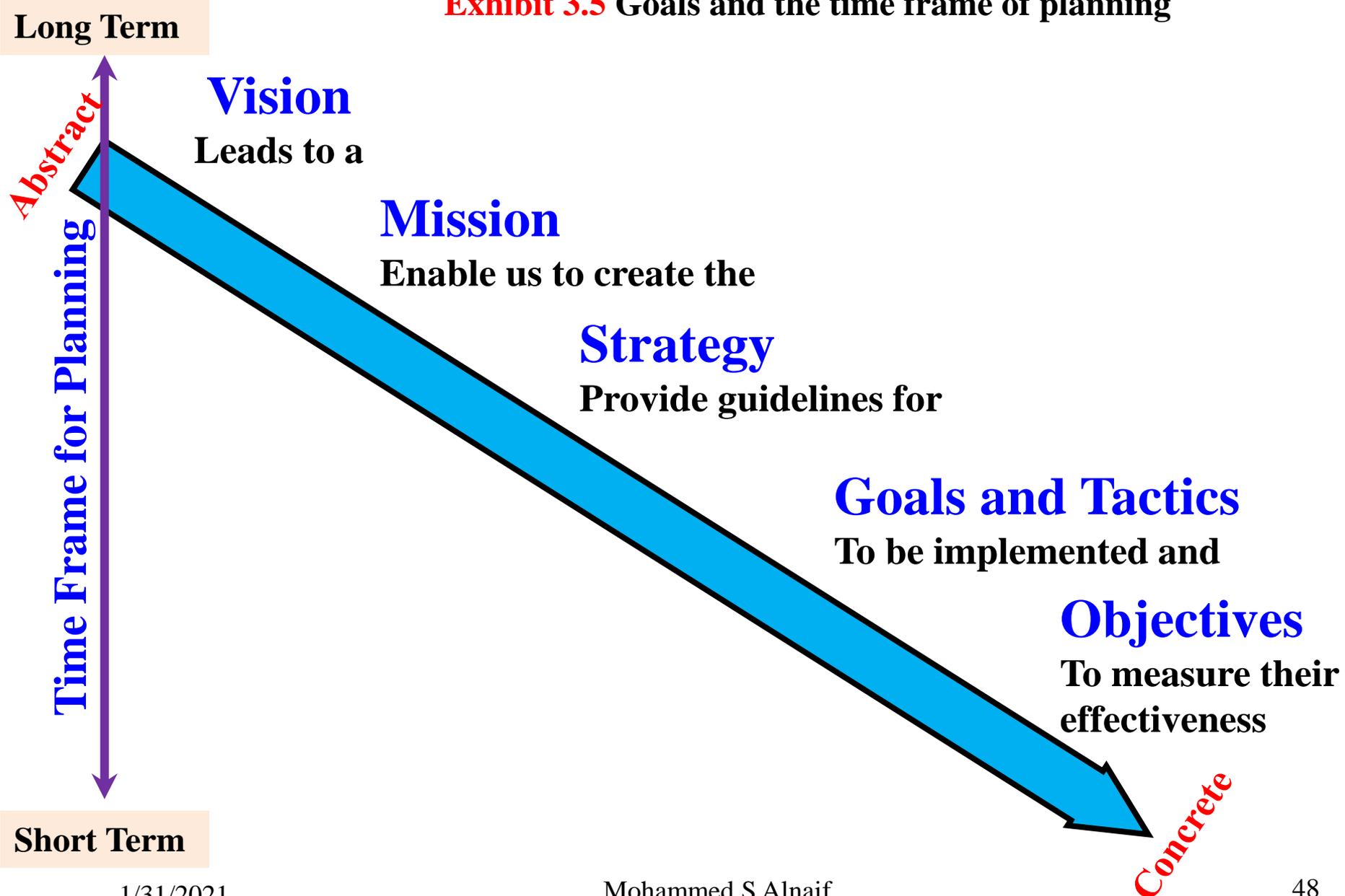


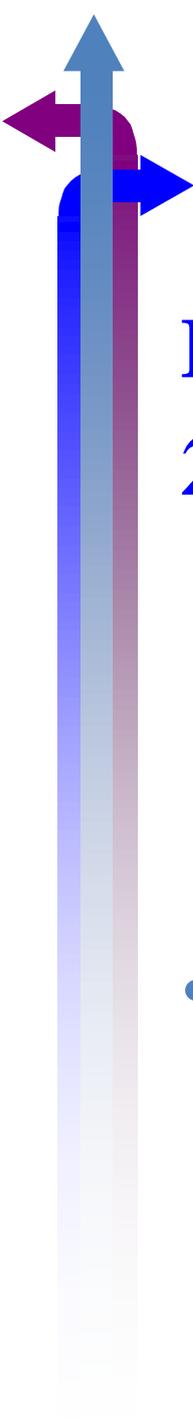
Strategic Planning

Five characteristics in which individual goals can differ.

1. **Level of Abstraction** Goals at the **highest level of abstraction** express the organization's overall **purpose**, whereas organizational **objectives** at the **lowest level** of abstraction are relatively specific and more concrete (**Exhibit 3.5**).
- At the **intermediate level** of abstraction is the organization's mission, the goal that best sets it apart from similar organizations.

Exhibit 3.5 Goals and the time frame of planning

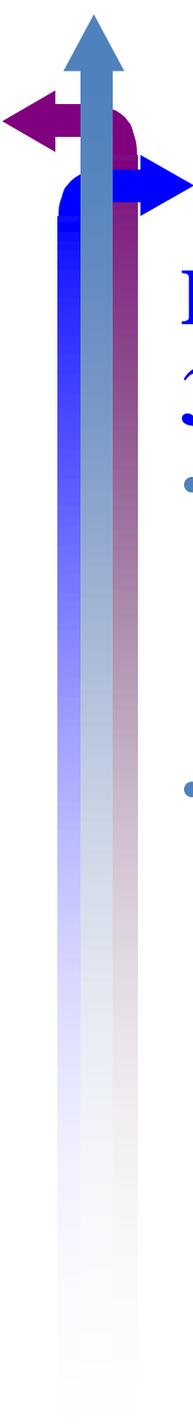




Strategic Planning

Five characteristics

- 2. Focus or Subject Matter** some goals are financial, others socials or environmental or political. Whatever the subject matter of the goal we refer to it as the goal's focus.
- **Objectives** can be divided in terms of subject area such as Admission, personnel, and technology.

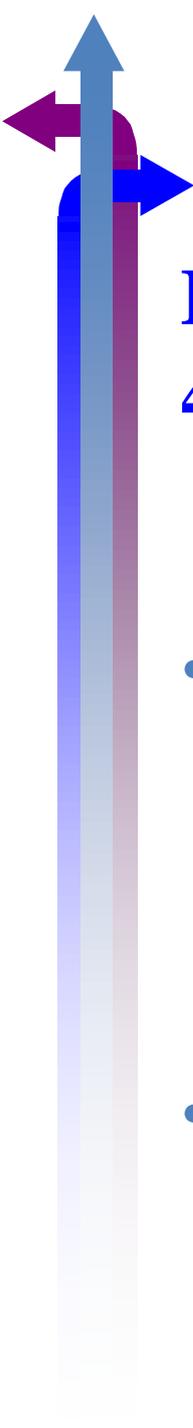


Strategic Planning

Five characteristics

3. Degree of Openness

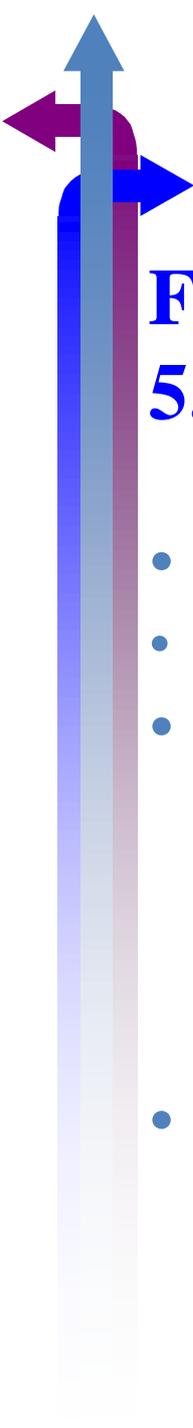
- There are *official goals* that are derived from the purpose and mission of the organization and that the organization espouses and declares formally and publicly in annual reports and in the media.
- *Operative goals* on the other hand, represent the unpublicized, private goals of an organization. These goals may be widely shared among all managers in the organization, or they may be held by only a few individuals. An operative goal for a private hospital might be to increase profit margin by 5% next year.



Strategic Planning

Five characteristics

4. **Organizational Level** another way to differentiate goals is by their levels of the organization.
 - In addition to those **goals** that the overall organization hopes to achieve, there are at least four other organizational levels and may include; **departmental goals, subunit goals, work group goals, and individual goals.**
 - In general the lower the organizational level, the more specific and short-run are the goals.

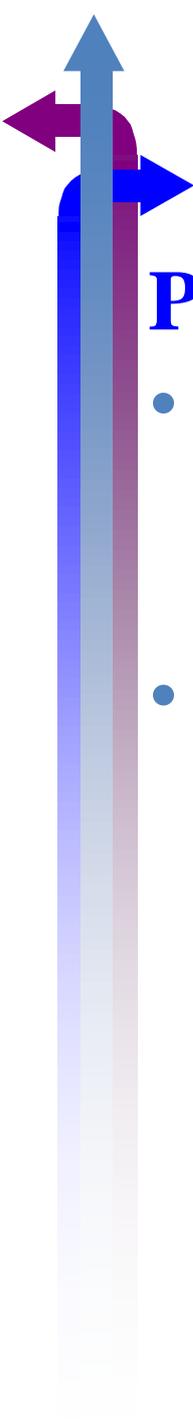


Strategic Planning

Five characteristics

5. Time Frame for Goals Organizations generally distinguishes three time frames for goals:

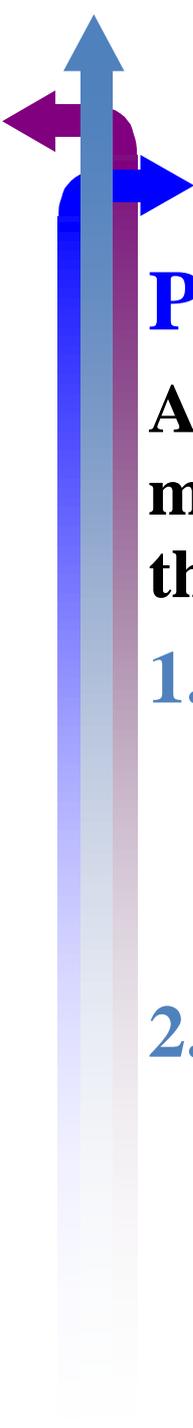
- **Short-run-goals, intermediate goals, and long-run-goals.**
- **Short-run-goals** tend to be more specific.
- **Intermediate goals** are those goals that the organization plans to achieve in longer than one year but (usually) less than five years
Intermediate goals are those goals that the organization plans to achieve in longer than one year but (usually) less than five years.
- **Long-run goals** are goals to be attained in a period longer than five years.



Strategic Planning

Project Planning and Project management

- A **project** is a temporary endeavor designed to produce a unique product, service or result with a defined beginning and end
- **Project management** is the application of processes, methods, skills, knowledge and experience to achieve specific project objectives according to the project acceptance criteria within agreed parameters. Project management has final deliverables that are constrained to a limited timescale and budget

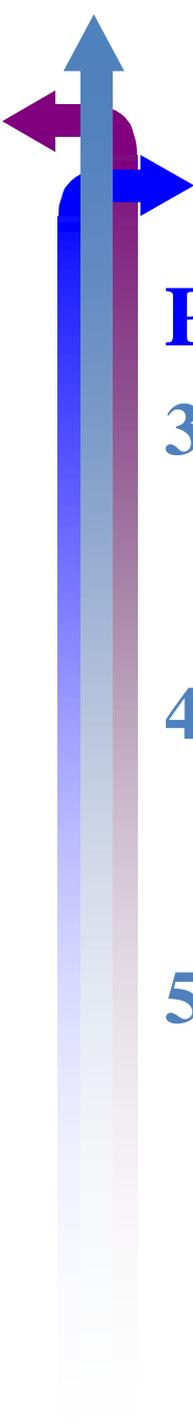


Strategic Planning

Project management stages

Although there are different project management methodologies and approaches, most projects follow these stages:

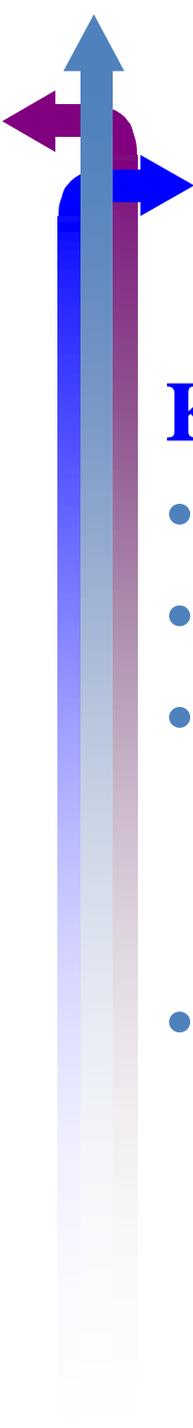
1. **Initiating the project** – the project manager defines what the project will achieve and realize, working with the project sponsor and stakeholders to agree deliverables.
2. **Planning** – the project manager records all the tasks and assigns deadlines for each as well as stating the relationships and dependencies between each activity.



Strategic Planning

Project management stages

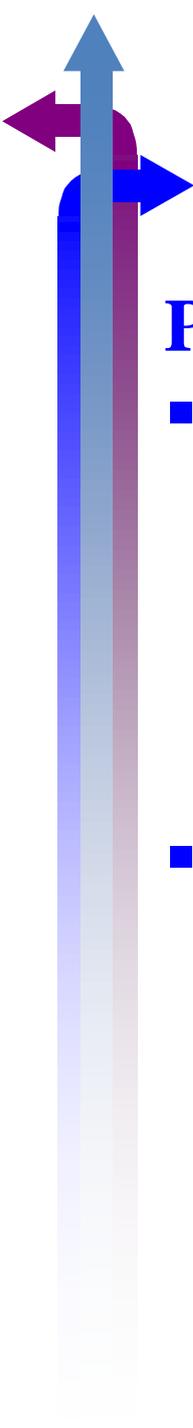
3. **Execution** – the project manager builds the project team and also collects and allocates the resources and budget available to specific tasks.
4. **Monitoring** – the project manager oversees the progress of project work and updates the project plans to reflect actual performance.
5. **Closing** – the project manager ensures the outputs delivered by the project are accepted by the business and closes down the project team.



Strategic Planning

Key components of project management are:

- **Time** – the intended duration of the work
- **Cost** – the budget allocated for the work
- **Scope** – what innovations or changes will be delivered by the project, expected results and project boundaries
- **Quality** – the standard of the outcome of the project.

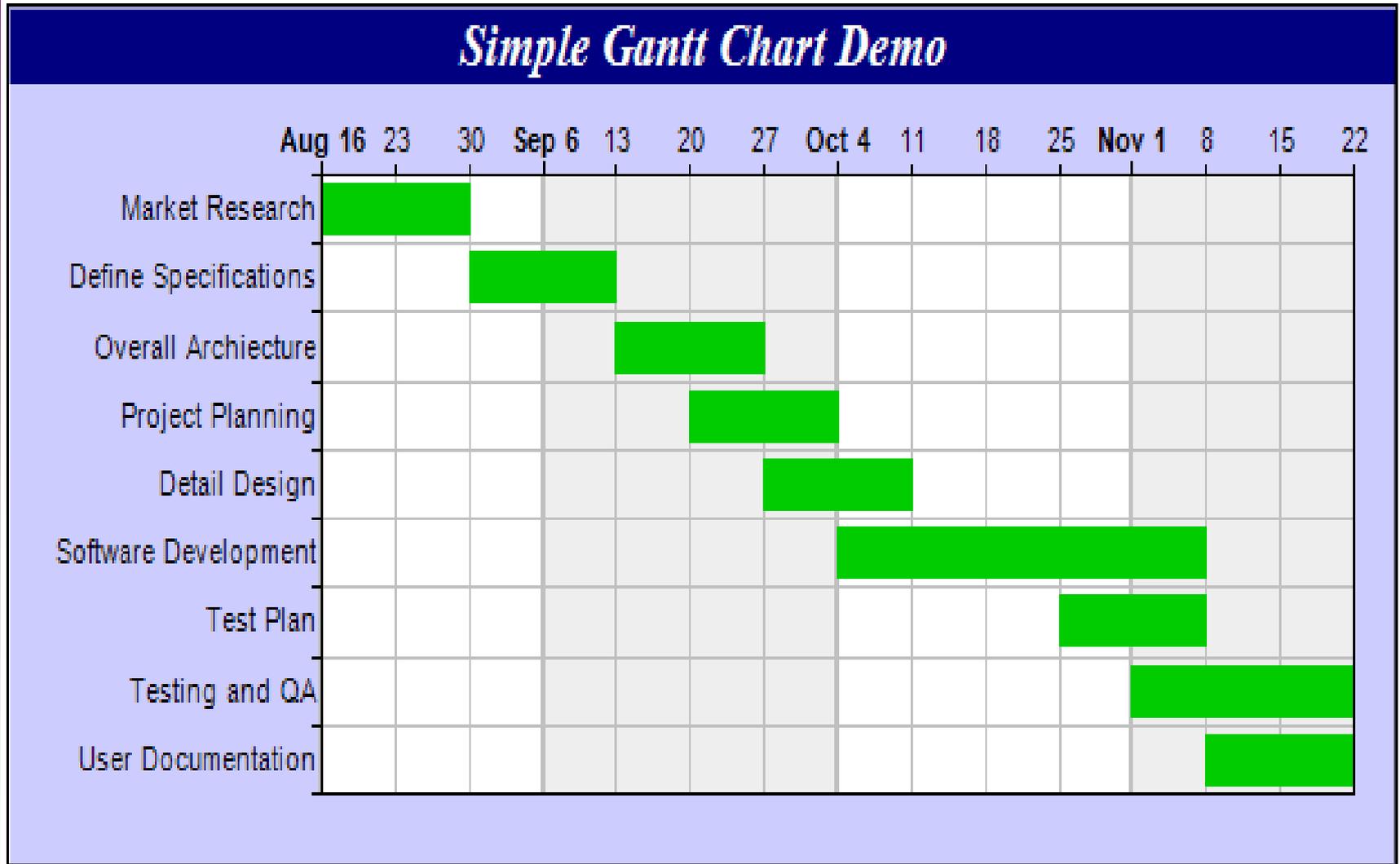


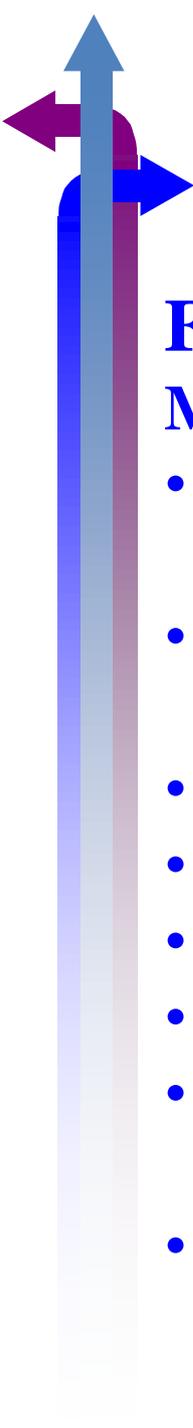
Strategic Planning

Planning Matrix

- A **planning matrix** is a diagram that shows the tasks needed to complete an activity, the people or groups responsible for completing the tasks, and an activity schedule with deadlines for task completion.
- A **Gantt chart** is a graphic **planning matrix** that displays project activities as bars measured against a horizontal time scale. Most electronic spreadsheet programs have templates for creating **Gantt charts**.

Gantt chart





Strategic Planning

Final thoughts about planning

Managers should consider these guidelines when they plan:

- **View planning as a continual process not as a one-time event.**
- **Realize the planning is orderly yet messy, sequential yet circular.**
- **Allow for flexibility in the planning process and the plan.**
- **Combine objective analysis with subjective judgement.**
- **Use – but don't overuse – historical records and data.**
- **Be open to new ideas, including “crazy” ideas.**
- **Look inward (at the organization) and look outward (at the external environment).**
- **Value both the plan and the process of planning.**

THANK

YOU