

## The Board's Role in Strategic Planning

Building and maintaining focused, accountable and visionary trustee leadership is one of the principal challenges for hospitals in today's turbulent health care environment. Hospital boards face difficult choices in a time of burdensome governmental regulation, inadequate reimbursement, increasing competition and shifting community needs. Complexity, financial strain and demands for a greater level of governance accountability require motivated, knowledgeable trustees who understand how to think and lead strategically in today's demanding environment.

**A** highly effective strategic plan is not simply a set of strategies, plans, budgets and responsibilities. Instead, it's an ever-evolving process of examination of the market, forces for change, and other current information that helps the board to understand changing dynamics, and continually reshape or fine-tune the hospital's strategic direction.

In essence, strategic planning is an organized, systematic approach for understanding and dealing with the hospital's future possibilities and uncertainties. It takes an "outside-in" view of the organization, and what is required to achieve the defined objectives expressed in the mission and vision statements.

In order to be successful, a high-performance strategic plan relies on the viewpoints of a broad range of constituents and stakeholders. The hospital's planners must reach out to people and organizations throughout the community, and engage them in meaningful discussions about their views of the hospital, community health needs, barriers to care, access issues, and more. Typically, this is accomplished through a community health needs assessment, interviews, surveys and

focus groups with physicians, employees, business leaders, elected officials, opinion leaders and others whose views are important to understand in shaping strategies for a successful future.

The strategic plan should also help the hospital's leaders determine a meaningful, realistic, challenging and compelling vision of the future. The key for the board is to ensure that the hospital's vision truly means something. Finally, a high-performance strategic planning process ensures a clear understanding of the resources required for strategic success, and the accountabilities of everyone in the organization for performing their part in ensuring strategic success.

### Steps in the Strategic Planning Process

While the process itself can be very detailed and complex, depending upon the hospital's size and market, there are five key steps in a typical strategic planning process:

## Three Important Truths About Strategic Planning

While it can seem to be an overwhelming and highly detailed process, in the final analysis, there are three important truths that hospital boards should understand about strategic planning.

1. **Board members don't need to know everything there is to know in order to make intelligent decisions and wise choices about the future.** There is an overwhelming amount of information available at any given time that may be relevant to the planning process. Trustees need to have the assurance that senior leadership is asking the right questions and utilizing the appropriate tools to ensure an evidence-based, outcomes-focused process.
2. **Because of the rapid pace of change in health care, what organizations know today is very different from what they're likely to know tomorrow.** That means that strategic planning processes, structures and systems need to be nimble and flexible and that the plan must be adaptable to new information and new realities of the future that have not yet been envisioned.
3. **Trustees will never know everything they'd like to know to be totally confident in every decision they make.** What they need to have is the assurance that the board's "knowledge bank" has sufficient "capital" to ensure that the decisions they make, and the directions they outline for the future of the hospital can withstand scrutiny.

**Step 1: Ensure a Strong Foundation.** Step one begins with the three critical components of the hospital's foundation: its mission, vision and values. While the mission and values may change little over time, the hospital's vision is an ever-evolving look into the future. The board of trustees should ensure that these three components are carefully examined:

- Is the mission as presently stated still a meaningful and memorable description of the core purpose of the hospital?
- Are the values or principles underlying the mission still relevant?
- Is the vision, or what the hospital is striving to achieve, still a challenging but realistic stretch?

**Step 2: Understand the Environment.** Step two involves conducting a thorough and comprehensive scan of the environment, both

inside the organization, in the community and nationally. The board should ensure that the hospital's strengths, weaknesses, opportunities and threats have been fully explored in a way that results in strategic change. In addition, the board should ensure a robust examination of demographic trends, economic trends and forecasted community needs, and ensure that the vision, goals and strategies developed respond to both external trends and internal issues and opportunities.

**Step 3: Understand Challenges and Opportunities.** Step three is to utilize the findings from steps one and two to define the primary challenges, barriers, and opportunities confronting the hospital, and determine the factors most critical in future success.

**Step 4: Set the Direction.** Step four involves board assurance of a careful analysis of changes to existing strategies, or development of new strategies that respond to environmental

change and that capitalize on the most significant opportunities for the hospital as it moves forward.

**Step 5: What's Most Critical?** Finally, step five entails careful prioritization of strategies and objectives to ensure their match with the mission and vision, using rating criteria such as urgency to achieve, the feasibility of success, and overall impact on community health and the hospital's competitive position.

## The Transition from the Board's Role to Management's Role

When the strategic plan is completed, the hospital will have assessed its mission, conducted a thorough environmental scan, recalibrated its vision based on emerging trends, issues and opportunities, and will have conducted a thorough analysis of strengths, weaknesses, opportunities and threats.

Following this fundamental work, strategies and measurable objectives to achieve the strategies will be developed.

It's important for board members to know that their primary strategic planning responsibility is contained in these critical areas. Once this work has been accomplished and the board is satisfied with the broad strategic direction of the hospital, the management team can go to work to develop action steps, communicate the plan throughout the organization, and ensure that everything is in place to ensure a successful strategic implementation.

## What Does a Good Plan Achieve?

Before the hospital begins the development of an action plan for undertaking its strategic plan, the board should ensure a full understanding of

what it seeks to have the plan achieve. Management teams will often, and for good reasons, become consumed with financial and operational issues and challenges. It is the primary responsibility of the board to ensure that the hospital's mission, vision and values remain at the center of the strategic planning process. This focus will help ensure that the strategic plan has timely, responsible and realistic goals that support the mission and vision.

An aggressive strategic plan requires strong and effective leadership to meet the new opportunities and challenges that will develop as the plan is being carried out. The board should ensure that its own governance leadership, as well as executive leadership, is a well-positioned and highly knowledgeable assets in the hospital's strategic success.

A good plan also has a logical, clear strategic fit of plans and resources. The board should ensure that when a commitment to undertake strategies and achieve objectives is made, adequate resources exist to ensure their success. This requires a careful process of prioritization.

One of the key factors in the success of any strategic planning effort is how well its focus will be embraced and supported by the broad community – physicians, patients, consumers, businesses and payers. To accomplish this, boards of trustees need to be active “community connectors.” They need to be strong advocates, educators and promoters of the hospital in the community, and build awareness, understanding and loyalty to the hospital as the community's most important and most needed health care asset.

Finally, a good strategic plan is measurable. The board needs to know continually and precisely how well the hospital is progressing in

## Board Assets and Abilities Necessary for Strategic Success

1. **The ability to pioneer new thinking** and new responses to emerging community needs. That requires innovative thinkers able to think outside the customary boundaries of strategic planning.
2. **The ability to create and nurture a culture that welcomes and embraces change** as a creator of new opportunities. Change is and will be a constant in health care. It needs to be accepted and utilized as a strategic asset, not a success inhibitor.
3. **The ability to deal forcefully with unplanned and unexpected change.** In order to do that, the board must carve out adequate time on every board meeting agenda to discuss emerging trends, issues and challenges, and determine their relevance to the strategic plan.
4. **Recognition that there is no straight path to the future.** The dynamic, rapid-change maze hospitals must navigate requires governing boards to be able to think creatively through strategic responses to a wide range of scenarios. Accomplishing that requires a governance environment and infrastructure capable of fully capitalizing on board members' knowledge, insights and experiences.
5. **The ability to define the community benefit and value created** as a result of successful execution of the plan. The ability to define, measure and report benefit and value is becoming increasingly important in today's hyper-scrutinized environment.
6. **A focus on vision and outcomes, vs. programs and actions.** The board should be most concerned with the "what," rather than the "how" of strategic planning. That requires a consistent focus at the very highest level, leaving the details of plan implementation to those who are accountable for it.
7. **The ability to make rapid, timely and well-informed decisions** resulting from their commitment to continuous knowledge development. New information and knowledge is not useful unless it's put to work.
8. **The ability to anticipate market needs and opportunities** ahead of their competitors. This governance asset is a powerful companion to management's day-to-day focus on strategic implementation.
9. **The ability to lead with purpose and consistency** through unplanned and unexpected change gives senior leaders and employees confidence in the organization's ability to adapt its strategic thinking and strategic responses when necessary.

achieving its stated strategies and objectives. The way to accomplish that is through a robust set of "key performance indicators" or "vital signs" that tell the board if potential "strategic gaps" are developing.

### Key Board Responsibilities and Opportunities

Governance leaders play a unique and very important role in the hospital's strategic planning process, and in its ongoing strategic

success. The role of the board is to be a leader, a motivator and a catalyst for strategic success. The board does not need to be involved in the details of strategic plan development and implementation.

It's the strategic thinking role that is absolutely unique to the board in the strategic planning process. **Simply stated, the board should govern and lead the strategic plan, not create or manage it.** But that simple statement too often gets lost in misunderstanding, miscommunication, misapplication and missed opportunities.

## Why Strategic Plans Fail

One reason plans may fail is because the board does not make strategic planning a high enough priority and does not hold executive management appropriately accountable for plan outcomes.

### ***Achievement of the hospital's mission and vision is the number one job of the board.***

And the best way to ensure that the mission and vision are achieved is to have a strong, vibrant and outcomes-focused strategic plan. Furthermore, the best way to ensure that the plan is meaningful and measurable is to have in place a reward system for the CEO and other senior leaders that are tied to the achievement of specific objectives.

Another reason plans may fail is because the board of trustees is unwilling or unable to devote the time and resources necessary to develop and carry out the plan successfully. Thirdly, plans may fail for one simple but false reason, and that reason is a belief that health care is changing too rapidly, and the environment is so uncertain that long-range planning is simply an exercise in futility.

Nothing could be further from the truth. The rapid-change and uncertain environment creates even more of a need for strategic thinking and strategic planning. However, that planning cannot take place in a traditional "straight line" manner. Instead, it must rely on an ability to think and plan in "black, white and gray." Boards and executive teams need to be able to think through scenarios for the future, define the potential changes that may take place in a variety of circumstances, and define strategic responses in advance.

The board is the driver and keeper of the organization's mission, vision, values, goals and strategies, but it should not dictate the plans for delivering on those expectations. When it does, it ceases to play a governing role, and instead plays a management role, blurring the lines between these two critical elements. The board bears ultimate responsibility for the design of the strategic planning process and for the organization's success or failure. To fulfill this responsibility the board must assume a strong and focused leadership role; it cannot afford to stand back reactively waiting to see what developments will unfold in the marketplace.

Boards must be able to engage in new thinking and help executive management develop new directions to successfully compete in an increasingly challenging marketplace. Board leadership must be fast, fluid and flexible, and power an expectation of innovative ideas, new thinking and new directions to successfully compete in today's turbulent environment.

Effective board-level planning emphasizes constant strategic dialogue into which are continually fed new information, new ideas and new perspectives, and out of which emerges a constant stream of strategic development opportunities.

## Governing the Right Way for Strategic Success

How does the board play the most positive role possible in the strategic change process? What can the board of trustees do to help ensure a successful hospital future? And how can the board drive strategic discipline and strategic thinking throughout the organization, and govern the right way for strategic success?

Think of it as a three dimensional role:

1. **Hospital boards must first establish direction.** The board must ensure that the hospital has a meaningful, unique, market-specific and compelling mission and vision, statements of purpose and long-term focus that inspire employees, physicians, trustees, volunteers and others.
2. **The board must ensure that the entire hospital family, from top to bottom, sees their role and value** in achieving the hospital's strategic initiatives. Every single person plays a role, and each person should hold him or herself accountable for understanding that role and playing their part in organizational success. That culture of commitment is created and inspired by the board.
3. **The board plays a unique role in motivating and inspiring hospital leadership** to excel as strategic change

## Questions to Consider in the Strategic Planning Process

- What are the most important forces driving the hospital's future success?
- How does the hospital's value-based performance affect its revenue and community reputation? Is the hospital being financially rewarded or penalized based on its quality metrics? How does the hospital's quality performance compare to competitors?
- What health care needs were identified by the community health care needs assessment? What is the hospital's role and responsibility be in addressing the community's most serious health risks? How can and should the hospital be addressing these community needs?
- How well aligned is the hospital with its medical staff?
- How can the hospital improve its image and ability to meet customer needs?
- How can the hospital best capture market share from its competitors? Will the hospital's competitors be different in the future? How?
- What hospital services have the most potential for growth, both existing services and services that could be created?
- What are the primary factors driving patient outmigration, and what can be done to retain more business for the hospital?
- How attractive will the primary and secondary service areas be to aggressive competitors in the future?
- How do the service area population mix and economic character affect future hospital development potential?
- What should be the hospital's financial growth strategy, both short and long term?
- How should the hospital balance expense reductions with the need to invest in future service development needs and opportunities?
- How can the hospital continue to fund capital needs and growth strategies in the face of declining margins?
- How can the hospital ensure an adequate supply of physicians, nurses, technicians and other clinical and non-clinical employees required to meet emerging needs?



leaders, individuals who can coalesce their colleagues in a strategic movement unified by purpose, committed to excellence and rewarded for performance.

## Driving SWOT Deep Into the Organization

Conducting a SWOT analysis, or analysis of strengths, weaknesses, opportunities and threats, is one of the core features of most hospital strategic plans. The problem with most SWOT analyses is that they are very general in nature, and oftentimes add little to the strategic planning effort.

For example, typical strengths identified in a hospital strategic plan includes such things as high quality, dedicated employees, strong financial position and committed physicians. While each of these may be true, they would also be true for virtually every other hospital in America.

There is a way to conduct a SWOT analysis that results in dozens if not hundreds of individual strengths, weaknesses, opportunities and threats that can be effectively utilized in the strategic planning process. It's simple, straightforward, and involves everyone in the organization.

### ***Involve Every Service Line or Department.***

Each hospital service line, program and/or department should develop its own individualized strategic analysis. Service and program leaders should work with their employees through focus groups, surveys and other interactive methods to engage everyone in the process of strategic thinking about the area they know best - their own program or service.

**Use a Template.** Management may provide each program or service line with a template to be used to guide their analysis process. The template should result in an analysis that includes statistics on utilization and personnel; assessment of the strategic significance of the program or service to the hospital's future; a summary of the market for the program and service; an assessment of major trends and factors likely to influence program or service success in the future; and strengths and ways to maximize them, weaknesses and ways to minimize them, opportunities and ways to capitalize upon them, and threats and ways to eliminate them.

In addition, the strategic assessment should identify primary and secondary competitors, assess long-term financial potential, evaluate quality performance and identify the factors that are most critical to the future success of the program or service. The result of all of this is a grassroots analysis of organizational position, needs and opportunities, a sense of engagement across the organization in strategic direction, and a long list of potential strategic initiatives for prioritization and implementation.

## Tracking Performance: Requirements for Evidence-Based Governance Decision Making

One of the primary challenges for hospital boards is to know whether the strategies and objectives adopted and implemented are achieving the desired outcomes. Being able to engage in a continuous analysis and dialogue about strategic progress and performance requires a set of key performance indicators that tell the board where current strategic gaps exist, and where potential strategic gaps may be on the horizon.

With the input of the CEO and management team, the board should track performance and progress using a set of metrics, a periodic review process, and an incentive system to reward management for meeting organizational objectives.

Well-designed vital signs have several specific attributes: they are few in number; strategically significant; quantifiable and “trendable,” time-specific; and consistently reported and used to determine and close strategic gaps.

An accountable, mission and vision-focused board will review strategic performance and progress at least quarterly, and most will review progress indicators on a monthly basis.

### ***Developing and Using Vital Signs.***

Developing and using a set of hospital-specific vital signs is a straightforward process.

1. The board and management team must first determine what should be measured.
2. Then data that indicates the degree of success in achieving an objective should be determined. For example, in the area of financial performance the hospital may seek to reduce its average days in accounts receivable from 85 days to 55 days over a 24 month period.
3. Once the metric has been set, performance should be regularly reported in a way that shows actual performance compared to projections, and/or comparison with external benchmarks, such as the performance or best practices of other similar organizations.
4. If management reports a significant gap between projected performance and actual performance, it should also be charged with recommending specific actions to be taken to close the performance gap.
5. On a continuing basis, the board should re-examine progress and performance resulting from the changes made to close the gaps.
6. In many instances vital signs become outdated based on new information or organizational changes. Rather than continue to rely on outdated or outmoded strategic progress indicators, the board should periodically update both its indicators and its performance expectations.

## Reviewing Your Strategic Plan

1. Does the plan build on the hospital's strengths?
2. Does the plan correct or minimize the hospital's weaknesses?
3. Does the plan contain a realistic appraisal of the hospital's markets, customers and competition?
4. Can the plan be understood by everyone who has a need to relate to it?
5. Does the plan appropriately balance risk and return?
6. Is the timing of the plan realistic?
7. Does the hospital have ready access to the resources required to achieve the plan?
8. Is the organizational structure compatible with the objectives of the plan?
9. Does the plan support the image the hospital wants to convey, both internally and externally?
10. Does the hospital have the leadership capacity to sustain the plan over time?



There are a variety of areas in which strategic measures may be developed to gauge the hospital's success in achieving its strategic objectives. The most common and easiest to develop are financial indicators. Equally important, however, are indicators in areas such as quality and patient safety, meeting community needs, organizational efficiency, workplace culture, productivity and mission, among others.

Each hospital's strategic measures will be different. The key to success is to ensure that the measures chosen are relevant to understanding the hospital's progress in attaining its individual strategies. Performance indicators need to be examined and discussed in the same way a balance sheet or income statement is discussed. No one indicator by itself can tell a complete story. In fact, a single indicator may be misleading if not examined in relationship to others. Taken together, key performance indicators reveal much about what's happening in an organization. This is where board insight and perspective becomes pivotal to strategic success.

## Prioritizing Strategies

All strategies are not created equal. Some strategies are absolutely urgent, critical and vital to achieve within a certain time frame, while others, while important, may not be nearly as urgent or critical to organizational success.

An easy way to prioritize strategies is to give them a "weight" using different rating dimensions. For example, strategies can be

## Action Agenda

- Review the current strategic plan, and evaluate its purpose and value
- Lead the initiation of a deep, wide-ranging and comprehensive examination of organizational fitness for future success
- Identify the most critical challenges and forces shaping the hospital's future, and develop a compelling and responsive vision
- Examine the governance substance and style, and adopt new leadership processes and practices to ensure future strategic planning success

prioritized based on their "do-ability," or how feasible a strategy is given current and anticipated resources. Strategies could also each be given a rating based on their impact in fulfilling the community health mission, the urgency of undertaking the strategy, or the value of the strategy in ensuring the hospital's long-term strategic success.

Charting a course for the hospital's future is one of the most important responsibilities of the board. However, there's a big difference between mapping a course, or being a navigator, and driving the bus.

To successfully lead their organizations toward the future, boards of trustees must clearly understand and successfully carry out their unique and vital role in the strategic development and implementation process.

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