Fellowship Project Manuscript

Strategic Planning:
Best Practices For Health Executives

by

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Acknowledgments

In gearing up for major research and writing projects, I have always found it motivating to think that my prose will reach a wide audience and that they would be inspired (in the best case) or amused (in the worst case). I have been blessed because, on occasion, my aspirations have been achieved. However, as I have become longer in the tooth, I have increasingly found my motivation for writing coming from quite a different place – from a curiosity about people, places and things that I want to find out more about. Oddly, the subjects that most interest me are those I know the least about, not the ones I think I know the most about. For me, writing has become a technique to explore what is new and interesting. The good part about all this is that I end up doing research and writing in areas that really interest me. But this has led to another realization; my co-conspirators on these projects, those who help along the way and who read the results, are really indulging me in what is at base, a selfish pursuit. Often they know much more about the subject than I do. And while I hope they derive some benefit from coming along for the ride, the time and effort they invest is mostly for my benefit. For this, I owe a debt of thanks.

My co-conspirators on this journey have helped a lot. They include my Fellowship advisors Mimi Lowi-Young, FCCHSE and Elma Heideman, FCCHSE, as well as Joe Mapa, FCCHSE, and the members of the CCHSE Fellows Council. I am also grateful to CCHSE for being so supportive of my continuing professional development, and I would especially like to express my appreciation to Donna Towers, CHE and Robert Zed, CHE, the two Board Chair's I have so far had the pleasure to serve as President of the College.

I invited many colleagues to assist me with this project and I was gratified that so many were able to participate. They included members of the CCHSE Board, members of the CCHSE Corporate Advisory Board, the NHO (National Health Organization) Presidents, and members of HEAL (Health Action Lobby).

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Chapter 1

Introduction

This report is about strategic planning. It is not the first report to be written about strategic planning, and it certainly won't be the last. However, this report has a particular objective in mind, and it is also intended for a specific audience. The objective is to provide a succinct and practical guide to *best practices*; the target audience is *health executives*.

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1. What Is Strategic Planning?

Strategic planning is about both *strategy* and *planning*. When strategy and planning are combined, the result is a deliberate process to position an organization for improved performance. While many definitions of strategic planning have appeared in the literature, all capture these essential ideas. For example:

> Strategic planning is . . . a process for defining organizational objectives, implementing strategies to achieve those objectives, and measuring the effectiveness of those strategies (Campbell 1993).

> Strategic planning is . . . a process for assessing a changing environment to create a vision of the future, determining how the organization fits into the anticipated environment based on its institutional mission, strengths and weaknesses, and then setting in motion a plan of action to position the organization accordingly (Evashwick and Evashwick 1988).

> Strategic planning is . . . the art of creating or exploiting those advantages that are the most telling, enduring, and the most difficult to duplicate (Rumelt 1980).

> Strategy is about figuring out where the opportunities lie (Porter 1980).

While much has been written about what strategy *is* (or should be), probably as much or even more has been written about what strategy is not! For example:

> Strategy is not about planning but about insights. Planning turns insights into actions (Campbell 1993).

> Strategy is not a lengthy action plan; it is the evolution of a central idea through continually changing circumstances (Helmuth von Moltke, 2004).

The word strategy actually derives from the Greek word *stratego* meaning "to plan the destruction of one's enemies" (Zuckerman 2001) -- not a meaning that many health executives would likely warm to. Nonetheless, many terms that are commonly used in strategic planning today, terms such as "objective," "mission," "strengths," and "weaknesses" have been adapted from military use. And even today, educational programs that prepare strategic planners, even

planners for the health sector, often rely on the teachings of famous generals, such as Sun Tzu and Napoleon.[1]

Why do health executives plan? Certainly not to vanquish their enemies! Leclair (2001) suggests organizations often use strategic planning to: 1) better identify the issues they are facing, 2) assist in setting priorities and allocating resources, 3) evaluate the satisfaction of customers or members, and 4) assess operational effectiveness.

Spain and Wishnoff (2000) have observed that there are five key strategic decisions and five key operational decisions that all organizations face. Strategic planning is often used to get better answers to some or all of these questions: The five strategic decisions are: 1) why are we in business, 2) which business should we be in, 3) which customers should we serve, 4) which products or services should we offer, and 5) why have we decided on this focus. The five operational decisions are: 1) what areas require that we set goals, 2) how should we achieve our goals, 3) when should we achieve our goals, 4) where should we focus our resources, and 5) who should be responsible to achieve our goals.

When do organizations plan? For some organizations, strategic planning is ongoing. For others, it is a process undertaken on a pre-determined schedule (e.g., CCHSA 2004). However, for many organizations, planning is not routinely undertaken. Often, it is precipitated by changes in the environment. For example, when the Heart and Stroke Foundation of Canada (2004) recently developed a new strategic plan, the reasons cited for undertaking the process included: changing regulations, increasing competition, new delivery channels, new technologies, dynamic stakeholder demand, and shifting power.

Today, some of the most common reasons health executives in Canada plan have to do with: 1) changes in the environment, and particularly organizational restructuring, 2) the need to contain costs, and 3) the desire to improve quality. In fact, health organizations that wish to be accredited in Canada are required to plan.[2]

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[1] See for example Braithwaite (2004) and Zuckerman (2001).

[2] CCHSA's accreditation standards require that "the governing body and managers carry out a strategic planning process . . . and use indicators to monitor whether the strategic plans are being achieved." Organizations are asked to include a copy of their strategic plan, along with the goals and objectives for the current year, with their self-assessment (CCHSA n.d.). And ISQUA (2004), the international body that sets standards for national accrediting bodies, requires these bodies to plan and monitor their performance.

2. Why A Report On Strategic Planning?

Why a report about strategic planning, and why a report for health executives? After all, there is nothing particularly new about strategic planning; much has been written over the years, there are many case examples, and the basic steps in the process have not changed. Moreover, it could well be argued that the effective development and implementation of strategic plans is so central to the role of health executives that it should well be considered a core competency. So why this report?

There are several reasons why health leaders may find a review of strategic planning "best practices" timely:

1. Strategic Planning Has Become More Demanding As Canada's Health System Has Continued To Grow. There have never been higher demands on health executives to effectively develop and implement strategic directions for their organizations. This is the case because the health system is becoming ever larger and ever more complex. According to the latest figures from the Canadian Institute of Health Information (2004), spending on health services now amounts to some $130b. Healthcare makes up the largest single appropriation for all federal, provincial and territorial governments and, at the provincial and territorial level where most of the costs are incurred, expenditures now make up 40% or more of total budgets. Although health spending has not outpaced growth in the economy and remains about 10% of GNP (Rachlis 2004), healthcare remains affordable only because many other areas of public expenditure have grown more slowly. While spending has abated in recent years, between 1977 and 1999, the growth rate in health expenditures averaged 7% per year (in constant dollars), much higher than inflation, the rate of growth in the economy, or the rate of population growth (Edmonds 2000). In short, when it comes to strategic planning, today's health executives face a much more complex challenge than health executives of previous generations. A bigger health system makes effective strategic planning much more complex;

1. Canada's Health System Is Growing, But Demands On The System Are Also Becoming Much More Complex. Today, the demands on health care organizations, and on the executives who provide leadership to these organizations, are much more complex than ever before. Beyond managing rapid growth, healthcare leaders face many other significant challenges. These include, for example: 1) the development of often costly new technologies, 2) increasing public expectations for ready access to high quality, safe healthcare services, as well as the ethical issues surrounding the rationing of services, 3) instability in the planning environment, including the absence of effective multi-year planning and budgeting systems, 4) the changing demography of the country, including the aging of the population and increasing multiculturalism, 5) the sustainability of current programs and funding, 5) the need to increase the capacity of the public health system to address a array of threats from obesity to avian influenza, 6) shortages of critical healthcare professionals, including physicians and nurses, 7) more complex care delivery requiring the coordination of many different types of services, 8) primary health reform, 9) the management of very costly chronic diseases, such as cancer, diabetes and heart disease,10) the appropriate role of the private sector in the healthcare system, and even 11) the increasing expectation among politicians and others that the healthcare system will produce economic, as well as health, benefits. Responding to these and other challenges without effective strategic planning is inconceivable.

2. Significant New Strategic Planning Challenges Also Arise From Changes That Are Occurring In The Health System's Organizational Structure. Yes, size does matter! But the environment for strategic planning in healthcare has also become more complex for another important reason. While the health system has continued to grow, significant changes have also been occurring in the way governments organize and deliver health services. In particular, regional boards (or health authorities) have been created in every part of Canada. These boards are being given wide responsibilities for overseeing health services within large geographic catchment areas. Depending on the jurisdiction, these boards have assumed responsibility for all manner of primary, secondary, tertiary, and quaternary hospitals, as well as nursing homes, home care services, mental health and addictions programs, public health services, rehabilitation programs, and a variety of other important health services. Literally hundreds of separate healthcare organizations have been replaced by a handful of these regional boards. It is not uncommon for these organizations to have budgets in the billions of dollars and staff resources in the tens of thousands of positions. Planning for such large, complex organizations places unprecedented challenges before health leaders.[3]

3. Many Health Executives Have Been Handed Significantly Expanded Planning Mandates. Accompanying the organizational changes that have been referred to, many health executives have seen a significant expansion in their planning mandates. Large health authorities are responsible for much more than providing good programs and services. Today, there is an expectation that services will be less institution-based and more community-based, and that there will be a seamless continuum of integrated programs to address a variety of health needs, including chronic diseases. There are also frequent calls for health executives to adopt more holistic approaches to health that consider a variety of alternate therapies and modalities of care. Related to this, health executives are being challenged to champion "health promotion," "prevention," and "wellness". In fact, many large health authorities are responsible for much more than curative health services; increasingly their mandates also extend to addressing the determinants of population health status. Additionally, concerns about uneven access to services and uneven health status among many visible minorities and other disadvantaged groups are widespread. Addressing these issues poses significant additional challenges. For these reasons, effective planning now involves considering much more than program planning, or even planning for groups of programs. Increasingly, it literally entails "health system planning."

[3] Space does not permit an exhaustive review of all the changes that are occurring, however, an annual publication prepared by CCHSE, *Health Systems Update*, has catalogued these changes for the past decade. See www.cchse.org.

4. Health Executives Now Plan In An Environment Of Increased Scrutiny and Accountability. As discussed, the health system has been growing, organizational changes have been occurring, and many health executives are now expected to lead strategic planning for entire health systems. Certainly, these are reasons why it may be timely to review the application of strategic planning "best practices" in the health sector. However, there is another important reason why such a review is timely. Health executives have always been accountable for meeting public expectations and for using resources wisely, however, in the past few years, governments have adopted extensive new measures to assess performance and insure accountability in the health sector. In the wake of corporate scandals, such as Enron and WorldCom, as well as public sector scandals, such as the federal government sponsorship program, governments have gone to extraordinary lengths to insure transparency, accountability and good governance in all areas of public expenditure. In the past, it was common for hospitals and other health programs to produce an annual program plan and accompanying expenditure plan for government funders. Today, the public and governments have much higher expectations. Today, it is more common for large, complex health regions to be held accountable for a diverse set of key performance indicators. In fact, a commitment to achieving specified targets is increasingly a requirement for budget approval. Moreover, CEOs, as well as other senior executives, increasingly have key performance indicators incorporated into their employment contracts. This is the era of performance and accountability, and the pressure to successfully develop and implement effective strategic directions within complex health organizations has never been higher.

5. The Pace Of Change Is Itself A Significant Challenge For The Health System. Large, diverse healthcare organizations must cope with the myriad of changes, demands and opportunities that have been described, but they must also do so more and more quickly. Because the pace of change is constantly increasing, organizations that plan occasionally, or that fail to regularly review their plans, will become less and less responsive to their environments. To cope with the demands associated with regularly developing and reviewing strategic plans, health executives need to have access to the most effective and efficient strategic planning tools.

6. Professionalism Requires That Health Executives Be Aware Of The Latest Trends In Strategic Planning. While there is nothing new about strategic planning, there has been a distinct change in focus over the past decade, particularly in the private sector. Specifically, more traditional approaches to strategic planning, the approaches that many health executives learned in graduate school and through professional development programs, were often heavy on the planning and light on the implementation and monitoring. As a result, in many quarters, strategic planning has fallen into disrepute. In many public sector organizations, planning has become a "why bother." Strategic planning, the critics argue, consumes lots of time and organizational resources, but often seems to produce little more than "shelf documents." In the end, many organizations have felt effectiveness has not improved. Over the past decade, however, a plethora of new strategic planning concepts and techniques have been introduced to address these shortcomings, and there is growing experience in their use within the healthcare sector. It is timely to bring these developments to the attention of the wider healthcare community.

There is a final reason why a primer on strategic planning may be timely. It is not at all clear that

strategic planning is a priority in many healthcare organizations today.[4] Despite the acknowledged importance of strategic planning, many healthcare organizations feel far too stretched by the constant winds of change to commit the time and resources necessary to develop strategic plans, much less to implement them, periodically update them, and monitor their implementation on an on-going basis. On the contrary, it is common for many leadership teams to feel they are constantly moving from crisis to crisis, and that there isn't any time, any opportunity, or any point to adopting a planned approach to the development of their organizations. Before the ink is dry, they reason, the ground will already have shifted and plans will have to be changed to address new realities.

Moreover, throughout the period of consolidation and organizational change in Canada's health system, a period that began in the 1990s and continues today, there has been enormous pressure on many healthcare organizations to achieve "administrative savings." One result has been the stripping out of analytic resources from many healthcare organizations.[5] The resources available for strategic planning have been cut at exactly the time that significant new planning challenges have been handed to many senior administrators.[6] Thus, while there may be nothing new about strategic planning, there has probably never been a time when it has been more important for health executives to be fully cognizant of strategic planning best practices, including how to balance responsibilities for strategic planning with responsibilities in many other areas, and the steps that are most necessary to ensure strategic planning leads to improved organizational performance.

It is worth noting that recent reports in Canada have focused considerable attention on issues of quality and patient safety. For some time, many organizations have been implementing quality improvement plans, and this work continues. Yet, despite all of the discussion about planning and the improvement of performance in healthcare today, the most common high priority recommendation coming out of CCHSA accreditation surveys relates to serious gaps in organization-wide planning for improved quality (CCHSA 2004). Talking about strategic planning is easy, but it is evident that many healthcare organizations find the actual development and implementation of strategic plans a significant challenge.

Clearly then, a number of significant forces are at work in today's health system. They include the rapid expansion of the health system, the pace of organizational change, the increasing span of control of many health executives, the heightened focus on performance and accountability, critical shortages in financial and human resources, and a host of other challenges from new technology to new care delivery strategies to an increasing focus on access, quality and safety.

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[4] For example, Zuckerman (2001) found half the hospitals in one survey did not carry out three of thirteen activities considered to be a critical part of effective strategic planning, including: market analysis, competitive analysis, and general consumer surveys. Hospitals scored particularly low when it came to completing environmental assessments.

[5] Perhaps it is ironic that it is healthcare executives who are often responsible for implementing the cutbacks that jeopardize their ability to plan effectively. This could reflect a lack of commitment to strategic planning but, in many cases, health executives are challenged to deliver cost reductions; rather than sacrificing front line services it is usually much more politically expedient to cut "administrative costs."

[6] Paleontologists speak of a dinosaur called diplodocus. Its body evolved to enormous proportions, but its head and long neck remained relatively small. It became extinct as it became increasingly unable to take in enough nourishment through its small head and neck to sustain its enormous body mass. I have often wondered whether this is an apt analogy for many public sector programs, including the health system.

These challenges make strategic planning more important, but also more difficult.

It is with this context in mind, that this report sets out to accomplish two purposes:

1. To identify best practices in strategic planning that are particularly relevant for health executives and, particularly, to identify best practices related to: 1) the planning process itself, and 2) the effective implementation and monitoring of strategic directions; and

2. To provide a case example that illustrates the application of some key planning theories and concepts.

The research for each of the two stages of the report followed quite different methodologies, which are explained in detail below.

3. Methodology

Best practices are practices that have been shown to produce superior results (American Productivity and Quality Centre 1997). In practice, organizations often identify current practices and contrast them with what the organization itself comes to consider "best practices." Various steps are then undertaken to try to move the organization's level of performance closer to the "best practices" benchmarks that the organization has established for itself.

There are an infinite number of potential best practices and no one practice is ever the best in every set of circumstances. Generally, however, best practices refer to high performing practices within organizations that are recognized as having assisted the organization in attaining superior, even world class, results. Such recognition usually comes about through the assessment of expert authorities who are external to the organization itself. While many organizations strive to be the "best," in practice, the search for best practices usually reflects an organization's commitment to identify and implement practices that are superior to the ones currently in use so that performance gaps can be identified and closed. The fastest and easiest way to improve performance is generally through comparisons with successful organizations (Camp 1995).

There is a tried and true method for identifying best practices. This method involves reviewing the literature, soliciting the input of key informants, analyzing the findings, and refining the results with the assistance of experts in the field. This method is used as a foundation for identifying best practices, setting benchmarks, recognizing performance gaps, and instituting performance enhancement strategies.

In this study, the identification of "best practices," involved three steps. Firstly, the relevant literature was identified and the input of key informants was sought. Secondly, the literature and key informant advice was reviewed, analyzed and summarized. Thirdly, the results were validated with a panel of experts in the field.

With regard to the identification and review of the literature on strategic planning, several strategies were employed:

* The academic and professional literature on strategic planning was identified through conventional search techniques. This review looked to leading publications in health care,

in association management, and in private industry;

* To insure the relevant academic and professional literature was identified, communication was initiated with several university-based, graduate health administration programs in Canada and overseas. Course outlines and related reading lists from core courses addressing strategic planning issues were obtained and reviewed; and

* The author participated in two workshops for health executives on the latest approaches to strategic planning. These workshops were organized by two industry leaders -- the Ontario Hospital Association and the American College Of Health Executives.

Although these efforts led to the identification of a sizeable formal literature on strategic planning, much of the material was rather dry and academic; the materials were strong on planning theories and concepts, but mostly reflected what professional planners and consultants thought about planning. The materials did not adequately convey the practical experiences of leaders who had actually succeeded in making planning work within their organizations. It quickly became evident that much of this experience and expertise was not captured in the formal literature on strategic planning and that other data collection strategies would be required to tap into this important body of practical knowledge.

To obtain a better sense of the practical aspects of strategic planning, the literature review was supplemented by two additional data gathering techniques. Firstly, key informants in the field were identified and invited to provide input into the project. In identifying "best practices," they were asked to use their professional judgement based on their own experience. Secondly, the "grey literature" on strategic planning, that is, reports, presentations and proposals from healthcare organizations and associations, documents that had never been formally published, were also identified and reviewed. To facilitate the gathering of this additional information, several existing networks were used. These included:

1. The Board of the Canadian College of Health Service Executives. This Board is made up of senior executives from diverse backgrounds and a wide variety of health care organizations across Canada (see Appendix A);

2. HEAL (Health Action Lobby). HEAL is made up of approximately 30 national healthcare organizations representing a significant number of health provider groups (see Appendix B);

3. NHO (National Health Organizations). The Presidents of many of the larger national health organizations belong to this network (see Appendix C); and

3. CCHSE's Corporate Advisory Board. This Advisory Board has representation from a number of the larger national and multi-national corporations that are active in the health sector (see Appendix D).

In each case, an e-mail explaining the purpose of the project was forwarded to the members of the network. They were invited to identify documents and outline 'best practices" based on their own professional experience. This request was positively received and a number of helpful responses were incorporated into the review.

After the formal and "grey" literatures had been canvassed, and the input from key informants had been sought, a second step in the identification of best practices involved review and analysis. The focus was to identify candidate "best practices" based on common themes. However, the author also relied on his own experiences and professional judgement.

The final step in identifying strategic planning best practices involved "validation." A draft analysis was shared with the members of NHO and CCHSE's Corporate Advisory Board. As senior leaders from both the public and private healthcare sectors, the members of these networks were in an excellent position to review and critique the findings. This input was invaluable in finalizing the analysis that is presented in Chapter 2 of the report.

Chapter 3 reports on a case study. It describes efforts to apply a number of the best practices identified in Chapter 2 in a specific organizational setting. As with all case studies, the one reported herein remains very much a work in progress.

Because of their real world flavor, case studies are heavily relied upon in the training of senior managers in the public and private sectors. While the approach is used in many fields, including medicine, psychology, sociology, community planning, and even economics, it is a technique that has proved particularly popular in the education of business leaders.[7]

Pioneered by the University of Chicago Department of Sociology in the early 1900s (Tellis 1997), the case study approach was later adapted to business education and popularized by Harvard Business School. Harvard still uses the technique to bring real life business problems to the classroom. Case studies are used to provide an immersion experience for students, one that brings them as close as possible to business situations that occur in the real world.

In a typical MBA case study, the greatest challenges facing a company are outlined, and the constraints that the company must operate within are discussed. The student (or group) is then placed in the position of having to make decisions about how to confront the challenges. Case studies aim to promote highly interactive, engaging experiences for students.

The case study approach is now widely used in many business schools (e.g., Stanford, University of Western Ontario), as well as in leadership training generally. There are now web sites devoted to reproducing and indexing case studies (e.g., Harvard Business School's home page), as well as numerous guides for preparing and interpreting case studies (e.g., Yin 2002b; 2004; Tellis 1997; Warner 2000; Gillham 2004).

No one case study provides an opportunity to give equal wait to every challenge and every possible solution. On the contrary, by its very nature, a case study is selective. It addresses a finite number of issues and it captures a specific organization at a point in time, along with a particular context, set of challenges, and a range of possible solutions. It is helpful insofar as it provides

[7] For helpful references on the case study method, see www.lib.uwo.ca/business/case.html

some lessons and illuminates some principles, but it never contains an immutable "final truth."

A case study does not provide quantitative results that establish links between actions and outcomes. Rather, a case study is a type of qualitative research that requires findings to be interpreted with care. The most frequent criticism of the approach is that its dependence on specific cases renders it incapable of providing a conclusion that can be generalized (Tellis 1997). However, the case study approach may be the most appropriate research design depending on the type of research questions to be addressed and the amount of control the researcher is able to exercise over the particular variables that are of interest (Yin 2002a). The case study approach is particularly valuable when the questions are about "how" and "why." The true value of a business case is that it captures where decision makers live – in real organizations with real constraints, opportunities and challenges, not in laboratories or in the world of quantitative organizational research. The quintessential characteristic of a good case study is that it strives to provide a holistic understanding of systems in action.

Case studies may be single or multiple, real or fictitious. They may be designed to carry out initial explorations before specific research questions are posed, they may attempt to explain causal links and establish organizational theories, or they may simply try to describe or illustrate the trials and tribulations of an organization as it attempts to achieve certain objectives or cope with certain constraints.

Case studies generally consider systems rather than individuals or groups. Moreover, it is typical for case studies to be quite selective. That is, they do not seek to describe everything about an organization. Rather, the focus is on one or two questions or issues that illustrate the learning objectives of the case. Multiple perspectives on the issues to be addressed are usually provided (i.e., how different actors viewed the same issues). Sources of data may include documents, archival records, interviews, direct observation, participant observation and, in some instances, even the examination of physical artifacts.

One of the most difficult challenges in the case study approach is the interpretation of evidence. Yin (2002a) has suggested that it is necessary to show that the analysis relied upon all the relevant evidence, that rival interpretations were considered, that the evidence actually addressed the objectives of the case study, and that the interpretations were consistent with the researcher's own expert knowledge of the organization.

There is no universally accepted methodology for preparing case studies, but Harvard and other institutions generally adhere to a template similar to the following: 1) a description of the organization is provided, 2) there is a discussion of the issue or issues the case study addresses, 3) an overview of the information sources is given, 4) the actions taken are described, 5) there is an analysis of the results achieved, and 6) there is a description of the follow-on work that is being contemplated.

In keeping with the above noted traditions in case study research, Chapter 3 of this report outlines a case study that illustrates the application of some strategic planning best practices in a real world example. The organization is not a complex health delivery behemoth, but the Canadian College of Health Service Executives -- a medium sized professional association for Canadian health executives. The case study is designed to illustrate the challenges associated with developing and implementing a strategic plan. It is a single, real (as opposed to fictitious) case study that relies primarily upon participant observation and a review of relevant documents. It

adopts a descriptive approach, in that it tells a story of organizational renewal within a specific organization. If there is a lesson to be derived from this case, it is this: the development and (especially) the implementation of a strategic plan is an enormously time consuming and complex undertaking, but it can be accomplished, with salutary results, even in organizations with very limited financial and human resources.

4. Conclusion

While there is nothing new about strategic planning, a number of important reasons for preparing this review have been suggested. While the basic steps involved in strategic planning, as well as many of the tools, have not changed much over the decades, the environment has changed. The health system has grown exponentially, and new organizational structures for delivering health services, as well as increasing public expectations, have resulted in much more complex and diverse planning mandates. These changes are occurring at the same time that there are heightened expectations for transparency and accountability within the health sector. Finally, new approaches to strategic planning are being introduced, particularly in the private sector, and it is timely to assess how these approaches might contribute to the health sector.

There are consequences to inaction. Organizations that fail to plan or that don't plan effectively inevitably miss out on opportunities to achieve superior organizational performance. Performance may be sacrificed for any number of reasons – strategic directions are not made clear, the resources of the organization are not aligned to achieve strategic objectives, or there is uncertainty or even conflict over objectives and roles. And without vigilance, strategies may not remain responsive to the rapid changes that are occurring in the environment. Therefore, strategic planning should be considered one of the most important imperatives for health executives today.

Chapter 2

Strategic Planning For Health Executives

In this Chapter, approaches to strategic planning that are of particular interest to health executives are reviewed. The discussion is not restricted to practices in the health sector, however. Practices in association management and in the private sector are also discussed. While many of these practices are similar, there are also some important differences. At the end of the Chapter, best practices for health executives are summarized.

Before discussing some of the latest approaches to strategic planning, the roots of contemporary planning theory and practice are briefly considered. Remarkably, over the past half century, little has changed in the thinking about the basic steps that are considered important in completing an effective strategic plan. At the same time, probably for good reasons, the classic "blue sky"exercise has largely fallen into disrepute. The discussion points out that current methodologies build on the past, but they also advance new ideas and tools, particularly with regard to monitoring the implementation of strategic decisions.

1. The Contemporary Roots Of Planning Theory and Practice

There have always been planners among us[8] – the emperors of ancient China and Rome, military leaders such as Napoleon and Sun Tzu, the great religious and political leaders over the millennia, and the famous entrepreneurs. Even today, historians and archeologists marvel at the sophistication of the planning enterprise in earlier epochs – the Egyptian pyramids, the Roman aqueducts, the Great Wall, the Greek political system, the Mayan temples, ancient religious and healing paradigms – these are just a few examples that immediately come to mind. Even today, educators frequently turn to these examples, among many others, to help prepare tomorrow's planners.[9]

Despite the long history of planning, the contemporary roots of planning theory and practice can be traced to a much more recent period. Specifically, it may well be argued that the "golden age" of modern planning, and particularly "central planning," emerged in communist countries like the Soviet Union and China during the 20th century. However, it also found expression in the reconstruction efforts of many democratic societies in the era that followed World War II. During this period, governments mounted central planning efforts to promote economic development and employment, to upgrade infrastructure, and to address a variety of social needs from healthcare to income support.

These trends were particularly evident in the United States during the 1960s with the "War On

[8] Some might say schemers. But I think the definition of a schemer could well be "a planner with whom you disagree."

[9] Officers learn about military history and, in particular, the history of great battles, in prestigious military institutes, such as West Point. Budding politicians study Machiavelli. However, in healthcare, the latest texts (e.g., Zucherman 2001) and courses (e.g., Braithwaite 2004) for planners also include the lessons from Euripides, Sun Tzu, and many others.

Poverty."[10] Actually, the War On Poverty was much more than a war on poverty; it was a war on social ills. National and state task forces examined every facet of community life from urban planning, to poverty, to crime, to drug abuse. Central planners assessed needs and prepared plans, governments and others provided funding, and universities set up programs across the country to train a generation of professional community organizers, community planners, and community developers. This was, after all, Camelot, and the national will was focused on the successful implementation of centrally developed solutions to address just about every problem. Universities, foundations, governments, and a whole host of newly formed community organizations were enlisted in the effort. Similar trends were evident elsewhere as well, but nowhere was the trend more evident than in the United States.

In the United Kingdom, the field of "social administration" developed.[11] It focused on training professional planners and analysts with the skills needed to effectively run large public health and social service enterprises. In Canada, the 1960s and early 1970s marked the beginning of a significant national experiment with 'the welfare state." Publicly funded health services were introduced, a national unemployment insurance program was developed, and a national pension system, as well as many other social safety net programs, were introduced or expanded. Here to, there was a significantly increased emphasis on training professional managers and planners to lead the large scale expansion in publicly funded social safety net programs.

While the focus during the 1960s and 1970s was on central social and community planning, the focus in the 1980s and 1990s was on the application of strategic planning principles within large private sector enterprises. Business guru's emerged, business strategy books became best sellers, consulting companies (such as Boston Consulting Group and McKinsey) specializing in business strategy flourished, and business leaders able to make strategy work in practice, leaders such as Lee Iacocca, Jack Welch and Bill Gates, were elevated to celebrity status.

Meanwhile in the public sector during this same period, strategic planning had largely fallen into disrepute. The central planning model was perceived to have failed (social problems had not gone away!). "Bottom up" came to be seen as inherently preferable to "top down," and many public sector leaders despaired that sometimes enormous investments in strategic planning and community consultation had not produced tangible improvements in the effectiveness of their organizations.

In the United States during the 1960s and 1970s, three models of social planning emerged: 1) rational planning, 2) disjointed incrementalism, and 3) "mixed scanning." With variations, these models continue to be widely preached and practiced today, although rational planning has remained, far and away, the most common approach throughout the last fifty years.

The rational planning model, sometimes referred to as the "rational comprehensive model," prescribes how planning ought to be done. Needs should be assessed, goals should be identified, internal and external influences on strategy should be considered, options should be developed and analyzed to see which are best suited to the challenges at hand, implementation strategies

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[10] See for example: Johnson, President Lyndon B. (1964). Proposal for A Nationwide War On The Sources of Poverty: Special Message to Congress, March 16. Washington: Library Of Congress.

[11] See for example: Brown, Muriel (1969). An introduction to social administration in Britain. London: Hutchinson.

should be formulated and put in place, ongoing monitoring should track progress towards the achievement of goals, etc.. This is the logical and "right" approach to the development of a plan. This model was described, prescribed and funded by, for example, the Russell Sage Foundation (Kahn 1969) in the United States over forty years ago, and with minor variations, by many other foundations and government agencies across the United States and in many other countries.

"Disjointed incrementalism" (Braybrooke and Lindblom 1963), also know as "muddling through" or even the "science of muddling through" (Lindblom 1959), is not so much a prescription about how planning should work as it is a description of how planning often does work. Developed in the late 1950s and early 1960s, and later popularized by Aaron Wildavbsky (1964) at Berkeley, this model points out that, most of the time, despite protestations to the contrary, planning in most organizations does not proceed on a rational, logical basis. Rather, incremental adjustments in plans and practices are always being made in response to internal and external forces. Moreover, the fact that constant adjustments are made to accommodate changing circumstances is not seen as necessarily a bad thing, particularly if the alternative is a kind of blind adherence to a preconceived and outdated rational plan!

The "mixed scanning" model (Etzioni 1967) is partly a description of how planners plan, and partly a prescription about how they should plan. In this model, both short-term and long-term planning horizons are considered important. Effective strategic management involves combining a wide perspective to maintain orientation, while focusing attention on notable exceptions. Effective planners look at the opportunities and constraints before them, but they also consider long-term goals and objectives when making decisions. In the mixed-scanning approach, scanning the immediate and long-term horizons, and making connections between today's decisions and an organization's strategic directions, is seen as the hallmark of good planning.

In the private sector, the emphasis in the 1980s and 1990s shifted to corporate market planning and the maximizing of profits. However, as the 1990s progressed, new concepts, including "re-engineering," "just-in-time"and "total quality management," were introduced (Zuckerman 2001). These techniques were seen to be more effective in reducing costs and improving quality than the more traditional forms of "blue sky" strategic planning. More recently, however, concerns have been expressed that these approaches: 1) focus too much on the internal operations of a company, 2) place too much emphasis on financial results, and 3) fail to give adequate consideration to how companies should be positioning themselves in a changing environment. Other approaches and techniques are now emerging to respond to these criticisms. A number of these, such as the "balanced scorecard,"will be discussed later in this Chapter.

This brief historical overview is intended to provide a context for the discussion that follows. As will be seen, much of the contemporary thinking about strategic planning has not progressed much beyond the "rational planning" concepts and theories developed decades ago. At the same time, strategic planning today, particularly in the private sector, focuses more than ever before on the implementation of plans and on the measurement of results. As accountability and good management practice have become more and more important, there has been an increased uptake of these practices in the health sector.

From modest beginnings, strategic planning has grown into an industry. Today, there are dedicated web sites, dedicated journals, countless tools, numerous consultants and consulting companies, networks of practitioners, and even customized computer software programs that are designed to make strategic planning easier and more effective. In fact, so many schools of thought and "variations on the theme" have emerged that it would be impossible (and pointless) to list them, much less systematically examine all of their advantages and disadvantages. Within this growing literature and experience, however, there are some approaches and a number of tools that health leaders will find particularly helpful. It is to a discussion of these approaches that we now turn.

2. Who Needs What Kind Of Planning?

Almost all of the literature on strategic planning discusses a few recurring questions. These include:

What is strategic planning and why is it important? (discussed in Chapter 1)
What are the different types of planning and which type is best in a particular situation?

How do you know if your organization needs a strategic plan or if your current strategic plan requires review?

What steps are necessary for effective strategic planning and how should these steps be carried out?

What common problems are encountered in strategic planning and how should they be overcome?

What techniques and tools most contribute to an effective result?

Does strategic planning really work and what are the characteristics of successful strategic plans?

Michael Porter (1980; 1985), the famous Harvard business economist argues that there are only two generic types of strategy: strategy based on differentiation and strategy based on cost leadership. Within each type of strategy, a broad or narrow focus is possible. Examples of how successful companies might be categorized according to their generic strategies have been provided by Braithwaite (2004). Of course, within each generic type, there are many variations. For example, differentiation can be achieved through higher quality, ease of access, speed of delivery, etc..

Examples of generic strategies

Focus	Differentiation	Cost leadership
Broad	Coca Cola Ford David Jones IBM	K-Mart Woolworths Garuda Bic pens
Narrow	Porsche Cartier Mont Blanc Cray Computers	Suzuki Swift Generic mineral water Virgin records

For health executives, strategic planning is not so much about differentiation or cost leadership as it is about asking questions like: Where are we? Where are we going? When should we arrive?

(Mintzberg et. al. 2003). In this sense of strategic planning, the literature makes a distinction between two broad types of planning: strategic planning and operational planning. Campbell (2003) points out that healthy organizations are effective at both types of planning, however, the focus is quite different for each type. Specifically:

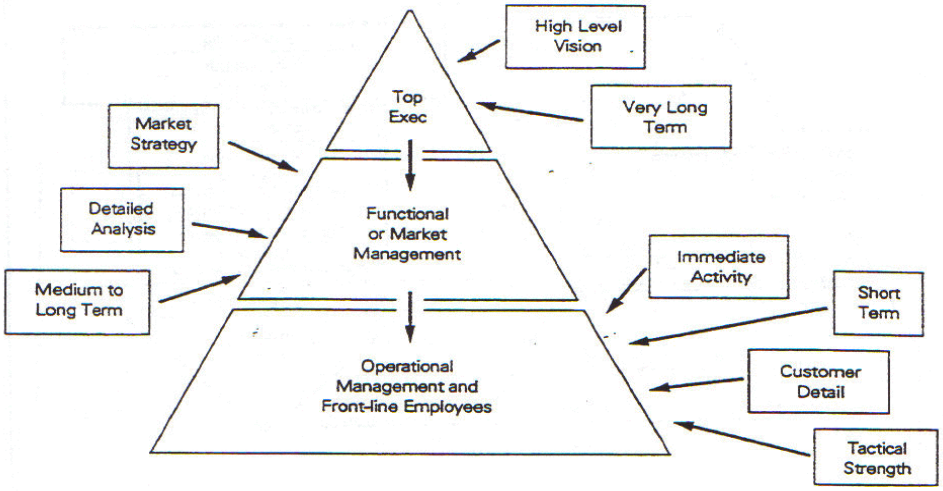
> In operational planning, the focus is often on the short-term, for example: What do we want to do in the next year? Moreover, operational planning is mostly concerned about the maintenance and direction of existing programs. Operational planning is also concerned with a plan for part of the organization, or with many plans for many parts of the organization. And operational planning is typically driven by budgetary considerations;
> In strategic planning, on the other hand, the focus is on the longer-term. Questions deal with growth and change of the organization as a whole, rather than with specific programs. While budgets are always important, strategic planning is more about vision than about financial resources.

While operational and strategic planning tend to address different time horizons, this is not always the case. Therefore, it is useful to draw an additional distinction between long-range planning and strategic planning. All strategic planning is, of necessity, concerned with the long term, however, long-term planning is not necessarily strategic. It is possible, indeed common, for some long-term planning exercises (e.g., facility planning) to be mostly concerned with operational issues.

Bruton, Oviatt, and Kallas-Burton (1995) point out that long-term planning is the more common type of planning in hospitals. This type of planning tends to focus attention within the organization, for example: Where do we want our current programs to be five, ten or twenty years from now and what are the implications, for example, for facilities or staffing? Strategic planning, on the other hand, looks both within and outside the organization at larger trends and issues, and then considers how the organization should position itself to move towards its vision of the future.

Giles (1991) suggests that it is appropriate to distinguish among three levels of planning: high level planning, functional or market planning, and operational planning (see below).

Giles (1991) Three Levels Of Planning



Strategic planning generally involves a review of the mandate of an entire organization. However, in complex healthcare organizations, some experts believe that a number of strategic plans for key functions and responsibilities within an organization should be developed. These may then be woven together into an overall plan for the organization. The Canadian Council on Health Services Accreditation (CCHSA n.d.), for example, suggests that hospitals, regional health authorities, and other health programs undergoing accreditation may wish to have strategic plans covering: quality improvement, risk management, disasters and emergencies, ethics, client satisfaction, communications, education and learning, human resources, and information management -- as well as operational plans covering these various areas.[12]

Once the type of planing to be undertaken has been determined, experts advise that it should not be undertaken lightly. After all, planning is both time consuming and resource intensive. Therefore, management should always ask: 1) why is planning needed, 2) what specific outcomes are expected, 3) what process will ensure success, and 4) when is the best time to plan.

Planning is unlikely to be successful if: 1) the organization, including the leadership of the organization, is not committed to the process, and 2) if the necessary time and resources are not available to properly prepare for and complete the necessary steps in the process. If these conditions do not exist, organizations might consider whether the timing is right to plan.

[12] As this discussion illustrates, the term "strategic planning" may be used to refer to many different types of planning. In discussions about strategic planning, it is always useful to ask: What do you mean by strategic planning?

Sometimes, it is so critical for an organization to review its direction that management might well need to sacrifice other priorities to free up the necessary time and resources. At the end of the day, however, experts advise that going ahead without the requisite commitment and resources is unlikely to produce a satisfactory result (e.g., Campbell 2003; LeClair 2001; Zuckerman 2001).

Many useful frameworks and templates have been developed to assist organizations to assess whether or not strategic planning should be a priority. These are generally designed as self-assessment tools that allow organizations to give themselves a grade or "strategic planning quotient."

One on-line questionnaire (www.members.tripod.com) allows participants to determine their "strategic I.Q." Organizations are asked to answer five questions with a rating from 0 to 10 (0 - no or don't know, 5 - equivocal yes, 10 - unequivocal yes):

> You have a clear mission statement, a challenging vision statement, and a meaningful and practical statement of your agency philosophy;
>
> You have a current strategic plan based on your mission, vision, and philosophy and on a realistic assessment of your competitive environment;
>
> You routinely involve owners, board and members, consumers, staff and other pertinent stakeholders in your strategic planning process;
>
> You use your strategic plan in meeting competitive challenges, in considering business opportunities, and in responding to changes within your market; and
>
> You demonstrate accountability for achieving as well as not achieving strategic outcomes within the defined time range.

A score of 50 equates with "strategically gifted," a score of 40 to 45 equates with "strategically functional," a score of 30-35 equates with "strategically anxious," a score of 20 to 25 equates to "strategically challenged," and a score of 0 to 15 equates to "strategically oblivious."

When organizations are committed to ongoing strategic planning, other guides have been developed to assess the adequacy of their processes. For example, LeClair (2001) has provided associations with ten questions to help assess current strategic planning effectiveness:

> Does your association have an established strategic planning cycle linked to fiscal year-end and budgeting process?
>
> As part of your strategic planning process, does your association regularly assess the relevance of mission and objectives in relation to the membership you serve?
>
> Does your association operate on the basis of a professionally run planning process, supported by an external facilitator and/or staff person dedicated to lead the planning exercise?
>
> Does your association undertake environmental scanning and/or opinion surveys of key audience segments to serve as strategic inputs to the strategic planning process?
>
> Does your association have a planning process which insures the active involvement of functional/operational unit heads?

Does your association follow-up with a formal operational planning process that translates the strategic plan into operational plans?

Does your association have an employee work plan development process that clearly references goals set out in the strategic plan and ensures day-to-day implementation of the operational plan?

Does your association have a quarterly reporting process whereby the Board of Directors receives updates on organization progress in meeting strategic goals set out in the strategic plan?

Does your association have an employee compensation process whereby employees are evaluated and rewarded based upon achieving operational objectives in support of the strategic plan?

Does your association undertake an ongoing program evaluation process whereby the impact of key strategies and tactics are rigorously assessed against defined objectives?

Lecalir (2001) suggests that by answering each question on a five point scale (1 - rarely or never, 2 - occasionally, 3 - about half the time, 4 - the majority of the time, 5 - all of the time) executives can rate their organization's strategic planning practices relative to best practices. A score of 42 or more is considered an "A." A score of 37-42 is considered a "B." A score of 31 to 36 is considered a "C." A score of 25-30 is considered a "D." A score of 24 or less is considered an "F."[13]

In conclusion, there is no simple answer to the question: who needs what type of planning? It is apparent that planning may occur at many different levels within an organization and that the scope of planning exercises will vary widely depending on circumstances. Moreover, the urgency attached to the development of a new plan or the review of an existing plan will depend on a host of both internal and external factors. Fortunately, as this discussion points out, many tools and techniques have been developed to help: 1) assess the need for planning, 2) determine the type and scope of the planning exercise, and 3) tailor the planning process to specific organizational circumstances.

Once the commitment is made to proceed, and this is probably the single most important step, there are many helpful tools that will assist health executives to designing an appropriate process for their organizations. There is no one "right way," but there are lots of stimulating concepts and ideas that can help in customizing an approach that will be responsive to the unique circumstances of each organization.

3. The Steps In Strategic Planning and

[13] As with many such tools that appear in the literature, the link with hard evidence about what works and what doesn't is often murky. A research agenda on strategic planning should include the validation of these "hypotheses" about what is important, and might even seek to assign differential weights according to the contribution that each makes to effective practice.

How Best To Carry Them Out

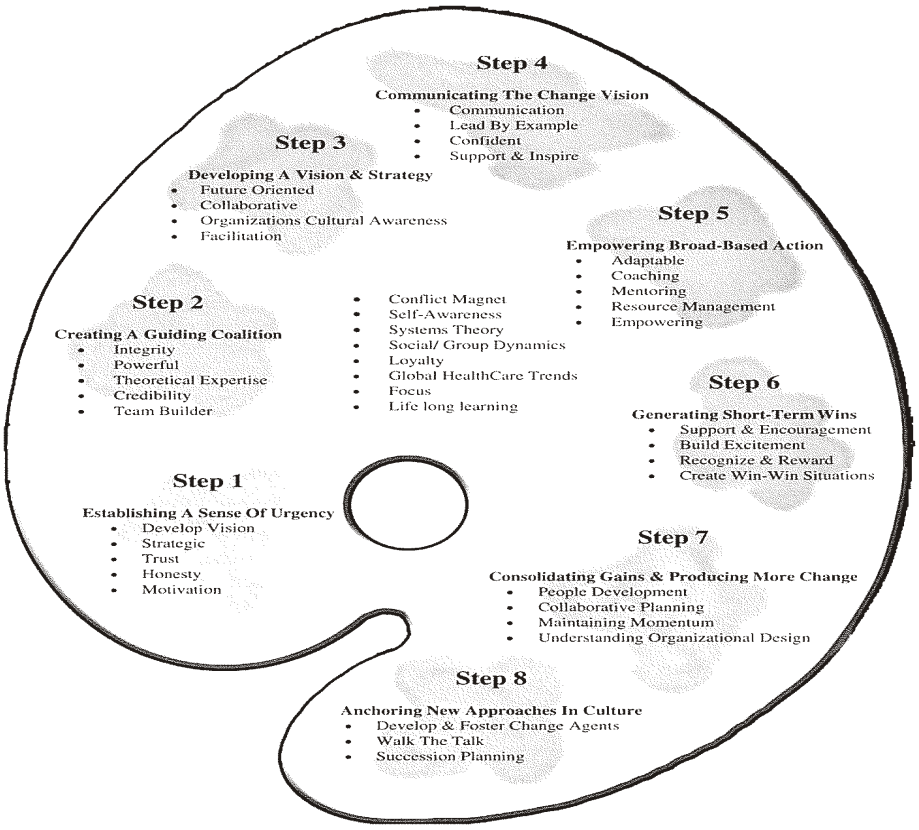
Much of the planning literature describes the steps that organizations should complete to plan effectively. These discussions are often accompanied by case studies that illustrate exemplary and frowned-upon practices. The strategic planning literature is also replete with advice about how best to complete each step of the process. One can even find extensive lists of dos and don'ts.

Gilbert and Braithwaite (1994) describe how planning typically works in the hospital setting: there is a review of the mission of the hospital, the internal and external environments are surveyed, key issues facing the hospital are identified, alternate strategic options are put forward, there is consultation with major stakeholders, a plan for the best possible future for the hospital is developed, strategies to achieve the plan are considered, an implementation schedule is developed and put in place, the planning decisions are reflected in the hospital's budget, and the plan is monitored and evaluated to determine its success.[14] Although these steps are helpful, today, health executives are typically responsible for much more that a "stand-alone" hospital.

In analyzing leadership competencies related to regionalization, Hall (2004) has suggested that a model for successful change must include establishing a sense of urgency, creating a guiding coalition, developing vision and strategy, communicating the change vision, generating short-term wins, consolidating change and producing more wins, and anchoring new approaches in the culture of the organization. The importance of ongoing evaluation is also stressed in this framework (see below).

[14] See also Shortell et. al (1990).

A Palette Of Successful Leadership Competencies For Regionalization



Referring to planning in the non-profit sector, Bryson (1995) has identified a strategy change cycle that involves 10 steps: setting the organizations's objectives, formulating broad policies, making internal and external assessments, paying attention to the needs of key stakeholders, identifying key issues, developing strategies to deal with each issue, reviewing and adopting procedures for making decisions, making fundamental decisions, taking action, and continually monitoring and assessing the results.

For LeClair (2001), key steps in strategic planning include: environmental scanning, mission assessment, objectives and strategy development, the development of performance indicators, implementation assessment (staffing and financial issues), and ongoing performance evaluation. Environmental scanning, it is suggested, should include customer/member surveys, program evaluation, trend analysis, and the assessment of opportunities and challenges. In identifying objectives, strategies and performance measures, it is suggested that each functional area be considered and that priorities that link objectives and strategies be developed in each area. Priority setting, it is proposed, should involve an assessment of the impact of various strategies, an assessment of the ability of the organization to deliver on various priorities, and an assessment of the relevance of priorities to the mission and objectives of the organization. To move from strategic planing to operational planning, it is proposed that activities, time frames, milestones, work plans and budgets be specified. Key participants in the process should include: board, staff, functional committees, and the membership/clients of the organization.

In business strategic planning, Kotler (1994) has proposed a process that involves: clarifying the business mission, completing an external environment analysis (opportunity/threat analysis), completing an internal environment analysis (strengths, weaknesses), developing goals, formulating strategy, formulating programs, and implementing feedback and control mechanisms.

Allison and Kaye (1997) have identified seven phases of the planning process:

> Getting Ready. This involves identifying the reasons for planning, checking readiness, summarizing organizational history and profile, identifying additional research or information needed to incorporate into plan, and writing a plan for planning;
>
> Articulating Mission and Vision. This involves writing or re-writing vision and mission statements
>
> Assessing the Environment. This involves a review of former planning priorities, gather input from internal and external stakeholders, gathering input on programs, and gathering additional strategic information about the organization;
>
> Agreeing On Priorities. This involves completing an inventory of strengths and weaknesses of the organization and opportunities and threats in the environment, choosing criteria for setting priorities, selecting future strategies, writing goals and objectives, and develop long-range financial projections;
>
> Writing the Strategic Plan. This involves writing, reviewing, and presenting the plan to key stakeholders;
>
> Implementing the Strategic Plan. This involves developing an annual operating plan and budget that incorporates the agreed upon strategic directions; and
>
> Monitoring and Evaluation. This involves evaluating the planning process itself, as well as monitoring and updating the strategic plan.

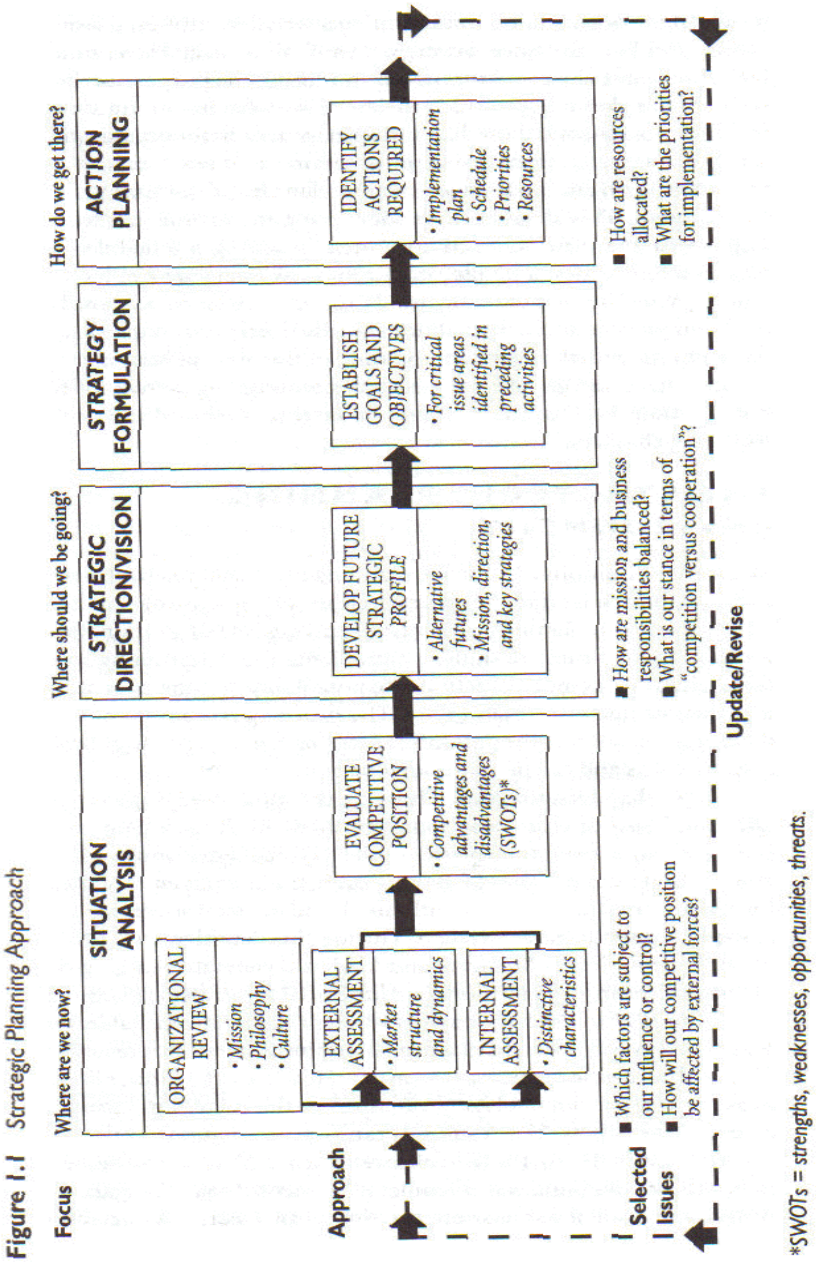
It is interesting to examine the process used by the Canadian Council on Health Services Accreditation (2004) in its recent strategic planning process, especially because the Council has been recognized for its good governance practices. Steps used in their strategic planning process included: project initiation and planning (project kick-off, preliminary interviews, development of methodology and instruments), data collection (document review, survey, focus groups, trend analysis), data analysis and summary of strategic choices (analysis and summary of findings, pre-board presentation to staff, presentation to the board for direction setting, post-board presentation to staff), reporting (developing the strategic plan and implementation plan), and communication (development of communication vehicles and implementing a plan to share the results with stakeholders).

CCHSA (n.d.) has also provided a strategic planning guide for its member organizations. In this guide, several strategic planning steps are suggested: gather the right people, including internal and external stakeholders, scan the environment inside and outside the organization, identify strategic themes and overarching areas, define strategic initiatives, identify goals for each strategic initiative, tie the goals to specific time frames (a strategic framework), identify specific outcomes and measurements for each goal/objective, determine how the outcomes will be measured, develop action plans or workplans to identify activities required to meet the goals and objectives, once the strategic plan is drafted, provide opportunities for input from staff and other stakeholders who were not directly involved, communicate the strategic plan inside and outside

the organization, and keep the strategic plan alive by reviewing it regularly.

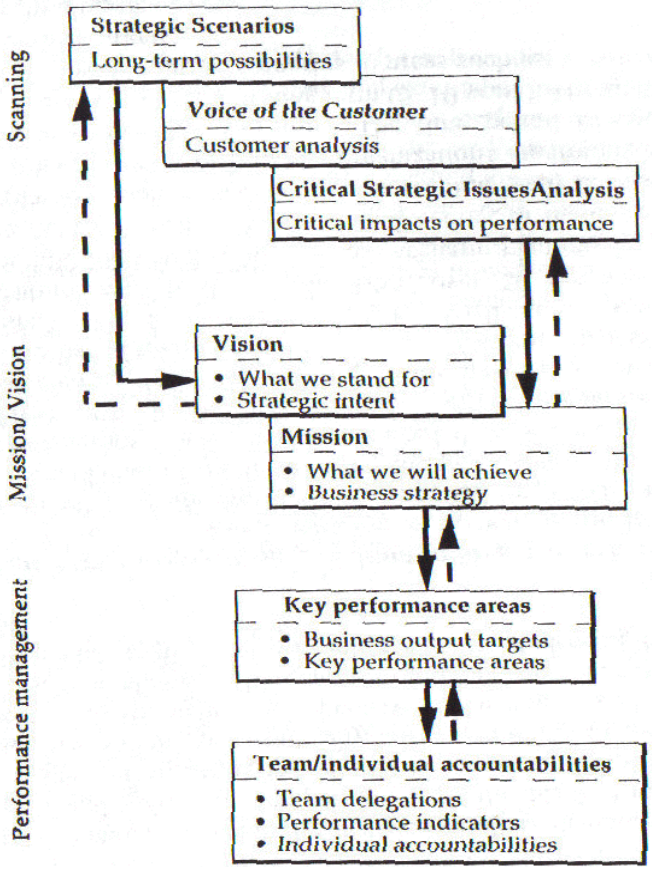
Zuckerman's (2001) key steps in strategic planning (see below) include: scan the environment, select key issues, set mission statements and broad goals, undertake external and internal analysis, develop goals, objectives and strategies for each issue, develop an implementation plan, monitor, update and scan. He also suggests: identifying the organization's current position, including present mission, objectives, strategies and policies, analyzing the environment, conducting an organizational audit, identifying alternate strategies, selecting the best alternatives, gaining acceptance, preparing short- and long-range plans to carry out the strategies, and implementing and conducting ongoing evaluation. For Zuckerman, the essence of strategic planning can be reduced to four steps: 1) organizational review, including mission, philosophy and culture, 2) external assessment of the market structure and dynamics, 3) internal assessment of distinctive characteristics, and 4) evaluation of competitive position, including the advantages and disadvantages of moving forward with alternate plans.

Zuckerman's (2001) Key Steps In Strategic Planning



A similar model has been proposed by Stace and Dunphy (1994). In this approach, steps in the planning process include scanning, mission and vision development, and performance management (see below).

Stace and Dunphy's (1994) Steps In Strategic Planning



The Calgary Regional Health Authority (2001) has provided a Canadian example of the complex process involved in planning within large, integrated healthcare organizations. Calgary looked at the strategic context, including the vision, mission, strategic directions, and strategic goals of the organization. The service delivery framework was also examined. This involved identifying the key principles guiding service delivery, such as: patient/client focus, a family centered approach, a population health approach, intersectoral collaboration, integrated service delivery, and a focus on primary care. A service planning methodology was then developed. Principles guiding this process included: focusing on health promotion and disease prevention, improving the quality of care, adopting integrated approaches, insuring service delivery was appropriate, valuing diversity, focusing on collaboration and partnerships, being flexible, and enabling supportive physicians and staff to optimize the provision of care. Calgary also carried out a detailed assessment of their current programs and facilities and examined demographic projections.

Calgary's analysis led them to conclude that there was inadequate system capacity, challenges for specific patient groups, fragmentation of care, challenges for follow-up and rehabilitation, and challenges related to the location of services. In addition, improved responsiveness to innovations that could improve appropriateness of utilization was identified as a priority. Other deficits included a shortage in capacity in hospital and rehabilitation beds, continuing care and assisted living, and in palliative care and hospice care.

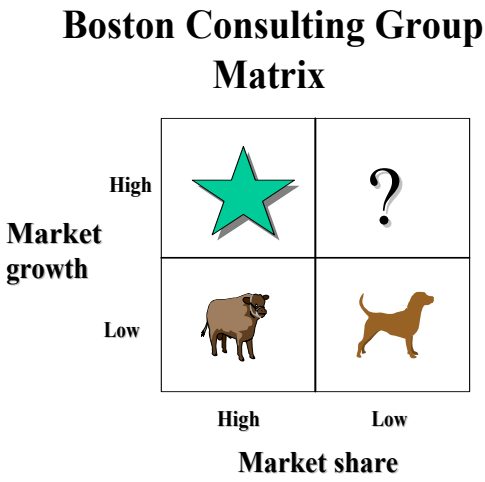
On the basis of the findings, Calgary proceeded to develop a comprehensive service delivery plan addressing hospital and rehabilitation beds, continuing care capacity, palliative and hospice capacity, community based and ambulatory care services, health promotion and disease prevention, home care, family medicine and primary care, emergency services, psychiatry and mental health, cancer services, Aboriginal health, children's health, maternal, fetal and neonatal care, bone and joint health, heart health, diabetic care, respiratory medicine, geriatric medicine, and provincial services. Implications were also examined with respect to innovations and new programs, academic and research activities, capital projects, operational issues, ethics, diagnostic and laboratory services, operating room capacity, physician and workforce issues, financial requirements, information technology, communications, and a variety of other areas.

For the Heart and Stroke Foundation of Canada (2004), steps in the strategic planning process included: launching the process, defining the strategic issues, exploring the strategic issues, selecting areas of focus, and finalizing the plan.

In health IT strategic planning, Hoyt (2004) has identified a number of steps. They include: launching the process, defining the strategy context, assessing current effectiveness, conducting a gap analysis, developing strategy, and communicating strategy.

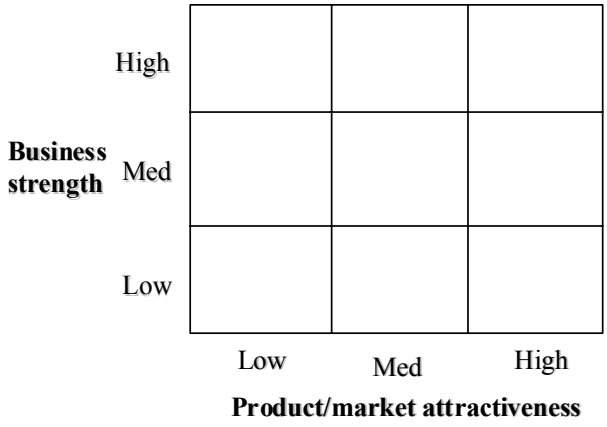
Stanton et. al. (1992) have shown how a strategic planning framework can also be used in addressing national and regional health needs. Their model applies strategic planning principles to public health and primary health programs. Steps they advocate include: defining the burden of illness, identifying direct and indirect causes, describing realistic impacts of alternate interventions, calculating the relative costs and health benefits of various interventions, integrating measures already underway, monitoring and evaluating, reassessing the plan, and creating an iterative feedback loop.

Some private sector models for assessing and developing strategy are surprisingly straightforward. The Boston Consulting Group, for example, a renowned consulting company specializing in strategy, assists their clients to assess current performance and plan for the future based on a simple two-by-two matrix. The matrix assesses market growth and market share. Low market share combined with low market growth is considered "a dog." Whereas high market share combined with high market growth is considered "a star."



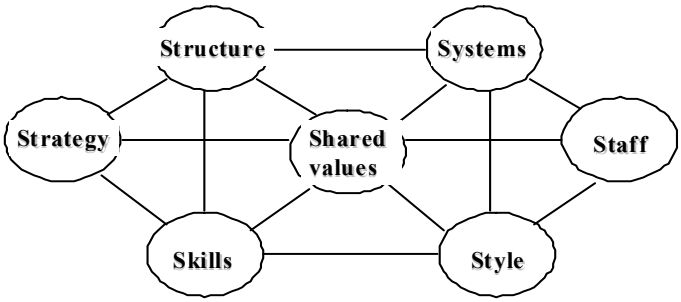
Similarly, for decades, General Electric, a huge, U.S.-based multinational corporation has used a simple grid for developing strategy that consists of assessing business strength and product/market attractiveness. While the completion of these assessments may be enormously complex, conceptually at least, the model for making important strategic business decisions is simple and straight forward.

General Electric business screen



Similarly, McKinsey, another widely renowned consulting company, assists clients to develop business strategy based on just seven variables, the so-called "7's": structure, strategy, skills, shared values, systems, style and staff.

The 7S framework



The founder of McKinsey identified the 7 habits of highly effective strategic organizations as follows: they had established a compelling vision and value proposition, they had collected good internal and external information, they had set clear performance metrics and built a cohesive culture, they had linked strategy clearly to execution (the what and how), they had communicated the strategy clearly, they had displayed a bias for speed, and they had effective decision making processes.

In this section, a number of different templates and frameworks for completing key steps in the strategic planning process have been presented. As has been seen, there is nothing much new "under the sun" when it comes to many of the steps in the so-called rational approach to strategic planning. In fact, much of the current literature repeats the classic community and social planning frameworks that were developed over forty years ago (e.g. Kahn 1969). Nonetheless, health executives will find much of value in this contemporary literature. There is a good deal of helpful general advice about "do's and don'ts," and there are many useful ideas for addressing a wide range of constraints that typify the environments within which healthcare planning occurs today.

At an early stage, health executives would be well served if they considered a variety of options and alternatives as a helpful way to stimulate discussion about how best to proceed. No one approach is best in all circumstances; the whole point is to design an approach that builds on the experiences of colleagues, but that addresses each organization's unique needs and circumstances.

4. Some Common Problems and How To Overcome Them

Many criticisms of strategic planning have appeared in the literature over the years. Some argue that strategic planning is not very effective at helping organizations to improve their performance, while others take the position that strategic planning could be effective if properly executed, but that the strategic planning process itself is often so seriously flawed that results are not achieved. Many tools and techniques to assist planners to do strategic planning "right" have been developed but, perhaps surprisingly, despite extensive experience, research has shed little light on whether strategic planning is really effective.

Perhaps the most significant challenge is, as Niels Bohrs has said: "Prediction is very difficult, especially about the future" (Braithwaite 2004). No one knows for certain what the future holds, therefore, any repositioning of an organization that is based on predictions about the future is inevitably fraught with some risk. Much of the planning literature discusses ways in which this risk can be minimized.

Some common criticisms of strategic planning (e.g., Braithwaite 2004; Giles 1991; Campbell 2003; Brun 2003; Beckman 1994) include:

> Strategic planning proceeds without the preparation that is needed to insure meaningful results. Therefore, decisions are made with inadequate information and intelligence, or without the involvement of key stakeholders, or without adequate communication among the stakeholders. Often, a tortuous planning process is the result, since there is continual cycling back to address inadequacies in the pre-planning.
>
> The objectives of the planning process, and the principles to guide it, are often not clearly articulated and agreed upon at the beginning of the process. So for example: Must current services be maintained? Must the result provide a pathway to budget reduction targets? Is the current mission (vision, values) of the organization up for review? Without agreement on the terms of reference for the planning process, participants may bring different assumptions and expectations, and they may be disappointed with both the process and the results. Moreover, when agreement is not reached on these important questions, conflict within different parts and levels of the organization may result;

Organizational mission statements are frequently illusions or even delusions; many organizations are not realistic when they plan;

Organizations confuse objectives and strategies, that is, they confuse questions about "where do we want to go" with questions about "how do we want to get there." Similarly organizations confuse strategies and tactics, that is, they confuse the long-term approaches to positioning the organization with the short-term activities to implement broader strategies, activities that are always changing in light of current opportunities and constraints;

Organizations go through the process, but they are not particularly committed to it. This often occurs when strategic planning is required by some external authority. Organizations feel they must go through the process, but in the end, the result is "window dressing" because there was never a commitment to the process in the first place;

The leadership of the organization is not committed to the process. In these instances, the organization plans in good faith, but the leadership is not committed to implementing the results. Planning involves, among other things, making important decisions about: 1) the organizations's priorities, 2) the allocation of resources to meet these priorities, 3) holding management accountable for implementing changes, and 4) over time, doggedly monitoring the implementation of plans and the results they are producing. Therefore, it is inconceivable that planning could succeed without the commitment of an organization's leadership;

Some of the key stakeholders who need to be involved in developing a meaningful plan for the organization, or who are key to implementing the results, are left out of the planning process; and

Perhaps the most often heard criticism, organizations don't follow through and implement the strategy they have developed.

Some critics are concerned that strategic planning often involves too much "navel gazing" and not enough examination of broader trends and opportunities. Kim and Mauborgne (2004), for example, distinguish between red and blue ocean strategy. Red oceans are existing markets, whereas blue oceans are markets that's don't yet exist. Most strategy development is limited, they argue, because it looks at the red oceans – how to compete in existing market space, how to beat the competition, how to exploit existing demand, how to make value/cost tradeoffs, how to align the organization with strategic choices around differentiation or cost leadership, etc.. Strategy would be more effective, they argue, if there was more emphasis on blue oceans -- how do we create uncontested market space, how do we make the competition irrelevant, how do we create and capture new demand, how do we break the value/cost tradeoff, how do we align the organization in pursuit of differentiation and low cost so that both cost structure and value can be affected. In this type of planning, the real challenges are to: 1) find and develop new markets where there is little competition, and 2) exploit and protect these blue oceans.

Kim and Mauborgne (2004) provide a number of private sector examples of blue ocean strategy, including the success of Cirque du Soleil, notwithstanding the fact the circus industry has been in a long-term and significant decline, and Research In Motion. Consistently, the success of blue

ocean strategy, they discovered, hinges not on new technology, but on using existing technology in new ways. When Ford successfully introduced the Model T, it was by reconstructing the auto industry by adapting technology developed in other sectors. Instead of competing for sales of 500 handmade cars at $1,500 a piece (the total automobile market in the United States at the time), Ford imagined a new world of affordable, mass produced cars for everyone. Introduced in 1901 at $850, the price dropped to as low as $290 in 1924. There were no options, and only one color. While Kim and Mauborgne (2004) focus on private sector examples, the lessons are equally important for the public sector and for healthcare. A common criticism of strategic planning in healthcare, as we have seen, is that often it is not very strategic. Instead of examining the future of existing programs, healthcare organizations are well served when they also considered entirely new and creative approaches to meeting client needs and advancing the missions of their organizations.

In DeLisi's (2004) analysis, strategy creation has received much more attention than strategy execution. He sights twelve reasons for the failure of strategy execution: 1) lack of knowledge of strategy and the strategy process, 2) no commitment to the plan, 3) the plan was not communicated effectively, 4) people are not measured or rewarded for executing the plan, 5) the plan is too abstract and people can't relate it to their work, 6) people are not held accountable for execution, 7) senior management does not pay attention to the plan, 8) strategy is not clear, focused and consistent, 9) conditions change making the plan, as conceived, obsolete, 10) the proper control systems are not put in place to measure and track the execution of the strategy, 11) reinforcers, such as culture, structure, processes, IT systems, management systems and human resources systems, are not considered, and/or act as inhibitors, and 12) people are driven by short-term results. He advocates a strategy creation and execution model that consists of: strategy creation, alignment of strategy with the organization, packaging and communicating the strategy, achieving buy-in, strategic control, measuring strategy, and reviewing strategy.

One strategic planning web site (www.members.tripod.com) describes the most notable pitfalls of strategic planning as: 1) planning the future primarily on the basis of statistical and financial projections or forecasts, 2) over-nighting a thick packet of forms to every branch to complete and return them to the corporate business office in ten days, 3) giving strategic planning lip-service, but not giving the time or support necessary to develop or implement a credible plan, 4) rolling out a new company-wide, long-term planning process and leaving incentive packages tied to short-term results unchanged, 5) blaming competitors, customers, payers, regulators, or the sales force for the poor strategic performance of the company, 6) investing in training all line managers in techniques to build an exciting agency future and then downsizing, 7) adopting a strategy inherited through acquisition of a former rival or simply imitating a current competitor, 8) starting with a vision or mission that fails to capture the imagination and ownership of the grunts in the field, 9) letting the bean counters in the business office or in accounting or finance reduce the future to a series of monthly bottom lines, and 10) trying to step into the future with both feet planted firmly in the past because of a myopic view of tomorrow as what we like about today.

In the health sector specifically, Braithwaite (2004) has observed that common problems in strategic planning include the following: vision, strategy and performance measurement are not linked, vision is unclear, strategy is not obvious, strategy is not shared, activity is disconnected from strategy, and lofty statements of vision and strategy don't translate into action. He observes that this frequently leads to disconnections between various parts of the organization, a general lack of understanding, and even an "us vs. them" mentality among various stakeholders.

In Canada, the Canadian Healthcare Association (CHA 2004) has recently provided a critique of national level planning for Canada's health system, as well as a number of suggestions for improving the effectiveness of planning. Key to the CHA's analysis is the importance of adopting an agreed upon framework of values, principles, expectations and goals that can provide the common ground for all stakeholders who have a role to play in healthcare planning and delivery. With regard to those who have responsibility for planning, CHA notes:

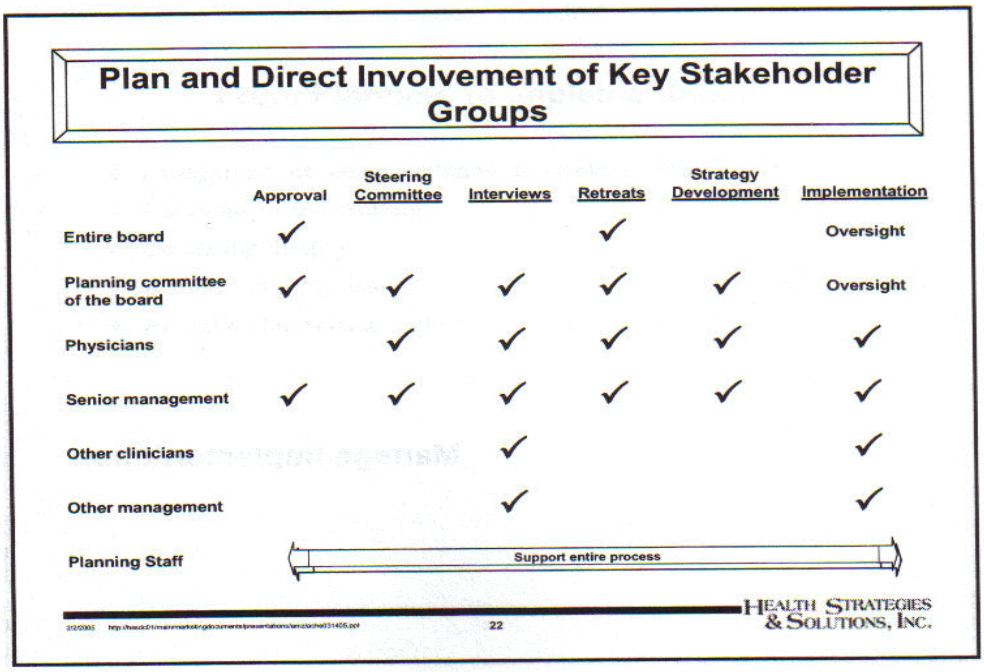
Canada's health system is best served by coherent direction, informed decision-making and clear goals that are shared among those responsible for making decisions . . . Those who have authority to make decisions must also be informed. The process of becoming informed should involve the collection and consideration of information about priorities, needs, imperatives, constraints, and stakeholder perspectives (p. 9).

For Zuckerman (2001), common problems in healthcare strategic planning include: failing to involve appropriate people, conducting strategic and financial planning separately, failing to develop consensus on assessment of internal and external environments, paralysis of analysis, not addressing critical issues, and assuming objectives will take care of themselves.

Healthcare organizations today are very complex entities that rely on the contributions of many interest groups and stakeholders. Perhaps for this reason, strategic planning in healthcare often fails because the appropriate stakeholders are not effectively brought together to participate in charting the future strategic directions of their organizations (Zuckerman 2001). An overview of stakeholder groups, and an outline of suggested roles in strategic planning has recently been provided by Zuckerman (2005)(see below).

Zuckerman (2001) has observed that many failures in strategic planning result from poor preparation. He outlines ten critical steps in organizing for strategic planning: identify and communicate the strategic planning objectives, communicate the planning process, define and communicate roles of leadership, plan and communicate the schedule, assemble the relevant historical data, review past strategies and identify successes and failures, conduct a strategic planning orientation meeting, prepare to stimulate "new thinking", and reinforce a future orientation.

Zuckerman's (2005) Key Stakeholder Groups



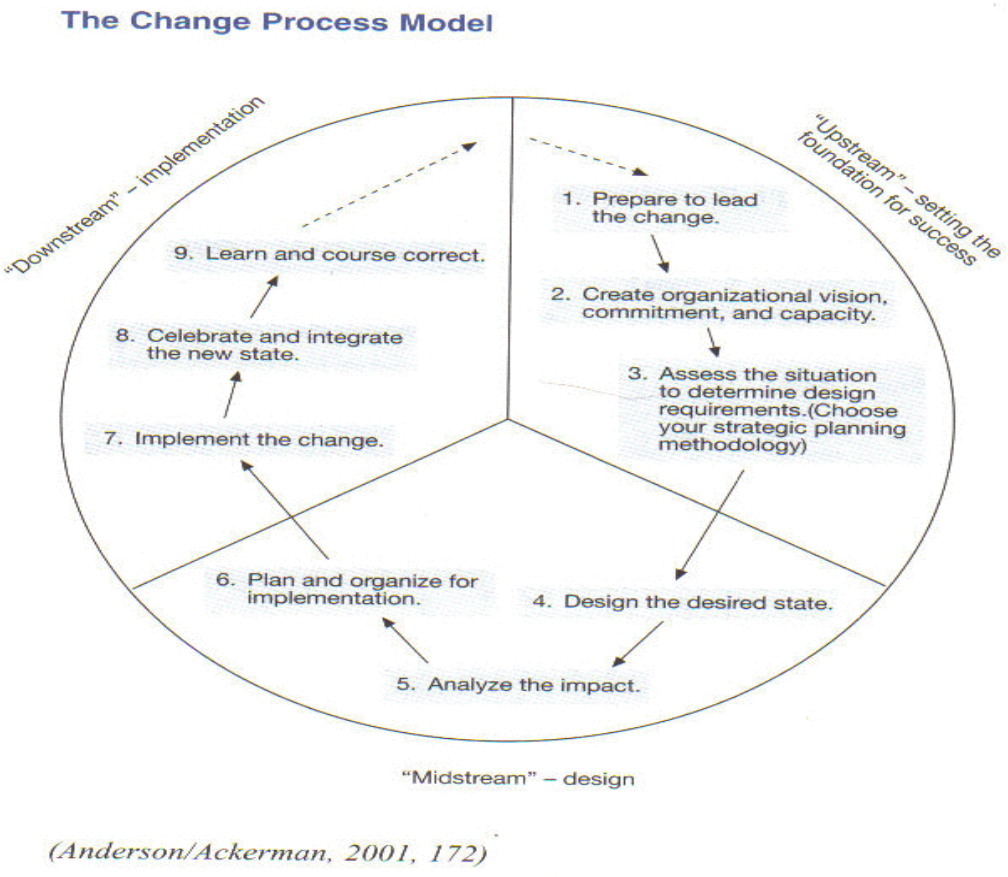
For Braithwaite (2004) leadership is key. He uses the concept of "strategic management" to describe leaders' responsibilities for effectively managing organizations' strategy. Strategic management is conceived as the bridge between the external environment and the mid- to long-term viability and competitiveness of the organization.

In order to help keep the strategic planning process on track, a number of guides and tools have been developed to assist organizations to design an effective planning process. Many of these guides and tools are available, so only a few of the most helpful will be mentioned here.[15]

> Scenario Planning. A variant of the Delphi method developed by the RAND corporation in the 1960s (Adler and Ziglio 1995), scenario planning is a tool to assist organizations to anticipate the future. It simplifies complex and subjective views about the future into a few likely scenarios. The intent is to assist organizations to recognize and adapt to the changes that are most likely to occur. Scenario planning involves examining alternate futures, assessing their likelihood, and developing plans to address the most likely futures. There are a variety of methodologies for developing scenarios, and some involve complex processes and the input of multiple stakeholder groups. The virtue of scenario planning is that it forces organizations to anticipate the future;

[15] Other examples may be found in the bibliography.

The Change Process Model. The change process model (see below) (Anderson and Ackerman 2001) is designed to assist leaders to focus on their responsibilities in the planning process. It provides a check list for leaders that allows them to insure that the steps necessary to insure the success of the planning process are being completed. These steps focus attention on the "upstream," "midstream," and "downstream" components of planning;



(Anderson/Ackerman, 2001, 172)

Appreciative Inquiry (AI). This is a technique that has become increasingly popular (Hammond 1998). AI involves four steps: discovery, dream, design, and destiny. The idea is to see strategic planning as a process of discovery for an organization, as an inquiry into what really makes an organization tick, and as the development of a vision and mission that would most resonate with the organizations strengths and values.[16] http://www.ppreciativeInquiry.cwdc.edu Rather than seeing "problems to be solved," AI accentuates the positive -- the mysteries to be embraced. In problem solving, there is a felt need or identification of a problem or issue, an analysis of causes and

[16] See also www.AppreciativeInquiry.cwru.edu.

possible solutions, and action planning. In AI, there is a valuing of the best of what is, an envisioning of what might be, a dialogue around what should be, and a plan to innovate around what will be.

The Search Conference. This is a powerful method for organizational change (Emery and Purser 1996). Based on systems theory, the idea is to get key stakeholders together so that they can give careful consideration to the organization's desired future. The search conference approach differs from other approaches to strategic planning, because it emphasizes the involvement of all key stakeholders working together to develop consensus on key priorities and actions. A typical search conference consists of three stages: pre-planning, the search conference itself, and follow-up. About a third of the conference involves learning more about changes and trends in the environment, a third looks at current programs and system -- their past history, present strengths and weaknesses, most desirable futures, etc., and a third identifies visions of the future that are tested against identified constraints, as well as consensus about how best to attain strategic goals; and

SWOT Analysis. A widely used technique (and one identified as a "best practice" later in this discussion) is the so-called SWOT analysis (see below). It is used to focus an organization's attention on its external and internal environments (the environmental scan). SWOT stands for strengths, weaknesses, opportunities, and threats. The assessment of strengths and weaknesses forces planners to look within their organizations to assess their assets, as well as what is being done well and not so well. The assessment of opportunities and threats forces planners to look outside their organizations to assess trends that may impact the their organizations.

Analysing the case

- **The strategic balance sheet**

•Strengths	•Weaknesses
•Opportunities	•Threats

Other suggestions for overcoming the common pitfalls of strategic planning include the following (Morgan and Piercy 1993; Campbell 2003; Hoyt 2004)):

If you are having difficulty developing mission, vision and values, or in obtaining input from key stakeholders, there are many guides and tools available to assist with these processes;

Objectives should be SMART, that is, specific, measurable, agreed upon, realistic, and with a tracking system;

Don't use "staff planners," whose job it is to plan but not implement;

Produce plans, not budgets or fantasies;

Provide planning skills to those involved in the process;

Resource the planning activity;

Reward planning;

Plan in teams;

Keep it simple and iterate the planning process so that planning is continuous;

Demand an implementation strategy; and

Involve the five I's: everyone who has interest, influence, information, may be impacted, or how has an investment, including board, staff, volunteers, customers, members, suppliers, and even competitors.

In one of the best selling business books of all times, Jim Collins (2001) has analyzed what differentiates "good" companies from "great" companies. Using a most interesting and provocative methodology, he examines matched sets of companies that have similar assets and strategic advantages, but that have achieved remarkably different results. His quest was to find out what differentiated eleven "good to great" companies (i.e., those that had been highly successful) from similar companies that achieved only mediocre results. Among Collins key findings, are the following:

Level 5 Leadership. Leaders in "good to great" companies have a distinctive leadership style that Collins calls Level 5 Leadership. Level 5 leaders are those who build companies that can tick along without them, who exhibit personal humility and professional will, who are ambitious for the company, and who are relentless in stimulating progress towards tangible results;

First Who . . . Then What. "Good to great" companies get the right people on the bus and the wrong people off the bus and then worry about where the bus is going;

Confront The Brutal Facts. "Good to great" companies take stock of their current reality, no matter how brutal the facts;

Hedgehog Concept. "Good to great" companies have been through a process to identify those values about which they are so passionate that they would never, under any circumstances, give them up. These values are the essential building blocks for achieving excellence;

Culture Of Discipline. "Good to great" companies have an enduring culture of discipline. This is not top down discipline, but part of the culture of the organization that actually allows more freedom to experiment and to find the best path to superior results;

Technology Accelerators. In a great company, technology is key in accelerating the achievement of goals, however, it is subservient to core values; and

The Flywheel Effect. The flywheel effect allows great companies to cumulatively build momentum, even in the absence of charismatic visionaries and motivators.

Collin's framework suggest that great companies have successfully answered three important questions: What are we deeply passionate about? What can we be the best in the world at? What drives our economic engine?

In this section, a wide ranging discussion of common strategic planning pitfalls, as well as helpful tools and suggestions for making strategic planning more effective, has been provided. While the number and complexity of the challenges may appear daunting, many common pitfalls can be successfully avoid through anticipation, pre-planning, careful consideration of options, and thoughtfully tweaking the design of the strategic planning process itself. While advance planning, particularly when it involves key stakeholders, will go a long way to insure positive results, experience also makes clear that health executives will be called on to provide on-going leadership in adjusting and readjusting the design throughout the entirety of the planning process.

5. Does Planning Work?

The rational planning model, the planning model recommended for health executives, and the model that underpins almost all of the recommendations and suggestions found in the contemporary planning literature, assumes that decision-makers have a well-defined problem, a full array of alternatives to consider, full baseline information, complete information about the consequences of alternative courses of action, full information about the values and preferences of those receiving products or services, and adequate time, skill, and resources to prepare a strategic plan. In healthcare, and in every other sector, such conditions never exist. Inevitably, then, compromises are required to make planning work in real life.

Some of the most entertaining reading in the planning literature is about the notable flops – the instances where planning was done by the book, but the result was a dismal failure. One example is IBM. It was the dominant player in computing through to the 1960s but, despite its planning, completely missed out on the personal computer revolution. Basement entrepreneurs and "techies" with no previous business experience and no organizational resources behind them were able to dominate this huge, new market. Similarly, Harley Davidson was the dominant motorcycle manufacturer in the U.S. up until the 1960s but, despite its planning, the Japanese Honda company was able to completely take over the industry in the 1960s and for several decades thereafter.

Perhaps the most notable flop in modern history, was Ford's experience with the Edsel (Braithwaite 2004). Ford spent ten years researching the need for a smart, executive, family car. Over 2000 names were considered. Over 800 designers were involved. Careful consideration was given to how to make the car distinctive, discreet, large and powerful. Special attention was given to new features, such as push buttons, that the public was demanding. Marketing was based on extensive research into population preferences and demographics. Teaser ads were run, and interest was generated by a high level of secrecy before the product launch. Yet, only 34,481 units were built in 1958, and the car was discontinued in 1959 because of poor sales. Ford lost $200m.

DeLisi (2004) has reported on the results of research that point to the failure of strategy execution in the private sector. One study showed that only 10% of strategies were actually implemented. Another indicated only 11% of companies employed a fully fledged strategic control system. Another indicated that 85% of management teams spent less than one hour a month on strategy issues, and only 5% of employees understood the corporate strategies of their companies. In

another study, 92% of companies did not report on lead performance indicators. DeLisi concludes that strategy sometimes fails because of poor strategy, however, it more often fails because of poor strategy execution related to people, cultural and organizational causes.

While concerns about the effectiveness of strategic planning have often been expressed by private industry analysts (e.g., Coulson-Thomas 1992), these criticisms are not limited to the application of strategic planning in private industry. Bruton, Oviatt, and Kallas-Burton (1995), for example, completed a comprehensive review of strategic planning in healthcare and could find only three empirical studies that examined the relationship between planning and performance. Despite all the rhetoric about the importance of strategic planning, they conclude that the value of strategic planning has not been demonstrated.

Are there characteristics of successful strategic planning? Braithwaite (2004) identifies a number of elements of what he refers to as "successful strategy formation." They include: there is clarity of intent, effort is directed towards goals and objectives, the initiative and momentum is maintained over time, the initiative is proactive, it involves the concentration of resources, it is flexible, the organization's leadership is "congruent" with the strategy, there is commitment to the strategy, surprises and secrecy are minimized, intelligence and advice is considered, and the strategy is formulated on the basis of accurate data. A strategy with these elements, he believes, will generally involve: analysing the environment, analysing the organisation's resources, capabilities and competences, clarifying the values of management, developing a mission, identifying goals and objectives, generating and selecting strategic options, developing a vision and vision statement, and involving others in the process.

For CCHSA (n.d.), an effective strategic plan needs to contain: strategic themes, strategic initiatives, goals and objectives tied to time frames, and specific outcomes and measurements.

For Campbell (2003), successful strategic plans: lead to action, build on shared vision that is values-based, result from an inclusive, participatory process in which board and staff take on shared ownership, incorporate accountability to the community, are externally focused and sensitive to the organization's environment, are based on quality data, require an openness to questioning of the status quo, and are a key part of effective management in the organization.

Much of these sorts of discussions have been summed up by McKinsey, one of the most celebrated planning consultants of all time. In his now famous words, he is quoted as saying: "The best strategy for any organization is a strategy it can implement" (Heart and Stroke 2004).

In conclusion, there is no definitive answer to the question: Does planning work? Clearly, planning works for some organizations some of the time. But many failures have also been reported. Remarkably, there is little solid research that confirms which practices are most likely to ensure an effective strategic planning process. Rather, the literature is replete with "inherited wisdom." What is a health executive to make of all of this?

Clearly, not to plan is not an option. Therefore, it is incumbent on health executives to consider the experience of others and to learn from their mistakes and triumphs. However, health executives must also apply their experience and professional judgement, since they are in a unique position to know what will work best for their organizations. There is no substitute for this judgement. Adopting a template developed for another application is a surefire recipe for disappointment. However, by adapting useful ideas and techniques, and by learning about

common pitfalls, health executives can play a significant leadership role by insuring that the strategic planning process addresses the specific needs and circumstances of their organizations.

5. Lessons From The Private Sector

One of the most enduring criticisms of strategic planning is that it has failed to produce results -- whether measured in terms of improved effectiveness and outcomes, higher customer/client satisfaction and loyalty, improved efficiency, or better financial results. The disillusionment with strategic planning in many circles has led to the development of numerous guides for making strategic planning more effective. A number of these were discussed earlier. However, over the past decade, particularly in the private sector, there has been a notable change in the focus of these discussions.

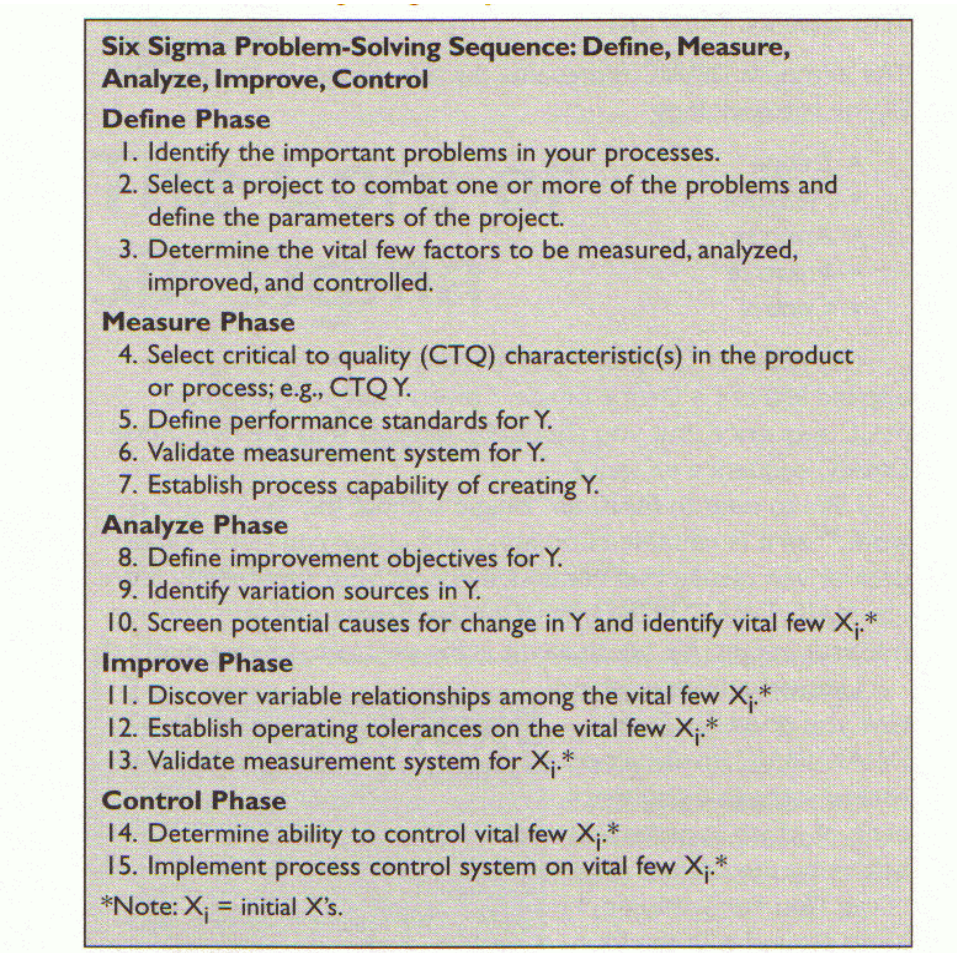
Within the private sector over the past decade, large national and multi-national companies have been placing less emphasis on the steps involved in planning and how to complete each step effectively. Instead, the focus has shifted away from strategic planning to the implementation of strategic planning results and, specifically, to the monitoring and measurement of specific improvements in organizational functioning. In many respects, the focus has moved away from looking at the "big picture." Instead, many companies want to focus on immediate opportunities for improving quality and efficiency, and then they want to systematically implement the changes they believe will produce these improved results.

Interestingly, the current corporate focus on improving internal business processes closely corresponds with the way healthcare organizations, including hospitals, have traditionally planned. Precisely for this reason, healthcare organizations have often been criticized for not being "strategic" enough in their planning and these are exactly the same criticisms that are now leveled at some of the planning methodologies that have become popular in the corporate sector. One important lesson from all of this is that "the pendulum swings." At the end of the day, the "mixed scanning adherents" are probably right that a focus on both immediate opportunities and long-term strategic objectives is necessary to achieve and sustain breakthroughs in organizational performance.

A few of the private sector methodologies that help to focus on the results of strategic planning and that have become popular in recent years are described below. These include: 1) six sigma, 2) key performance indicators (KPIs) and dashboards, 3) the business process improvement model, and 4) the balanced scorecard. Later in this section, their applicability to healthcare is discussed.

Six sigma was developed at Motorola in the 1980s and later popularized by the Motorola Six Sigma Research Institute and a number of other research institutes and consulting companies. Sigma is a statistical term that refers to standard deviations. Six Sigma refers to six standard deviations from the mean. This concept is applied to defects per million opportunities. Most companies tolerate Four Sigma, or 6,210 defects per million opportunities. The concept of Six Sigma is to achieve 3.4 defects per million opportunities, or a defect free performance of 99.9997%. The Six Sigma concept was initially applied to manufacturing processes, but its use has now spread to many other types of processes were quality improvement is the goal.

Although Six Sigma is based on a statistical concept, it has grown into much more than that. It has become a philosophy about the importance of quality improvement that is based on a conviction that successful businesses need satisfied customers, and that consistent quality is key



Six Sigma Problem-Solving Sequence: Define, Measure, Analyze, Improve, Control

Define Phase

1. Identify the important problems in your processes.
2. Select a project to combat one or more of the problems and define the parameters of the project.
3. Determine the vital few factors to be measured, analyzed, improved, and controlled.

Measure Phase

4. Select critical to quality (CTQ) characteristic(s) in the product or process; e.g., CTQ Y.
5. Define performance standards for Y.
6. Validate measurement system for Y.
7. Establish process capability of creating Y.

Analyze Phase

8. Define improvement objectives for Y.
9. Identify variation sources in Y.
10. Screen potential causes for change in Y and identify vital few X_i.*

Improve Phase

11. Discover variable relationships among the vital few X_i.*
12. Establish operating tolerances on the vital few X_i.*
13. Validate measurement system for X_i.*

Control Phase

14. Determine ability to control vital few X_i.*
15. Implement process control system on vital few X_i.*

*Note: X_i = initial X's.

to customer satisfaction. It is also a philosophy that is based on a conviction that, in the end, quality costs less; fixing what is broken is much more costly (in terms of both direct costs and costs associated with customer loyalty), than doing things right in the first place. However, beyond philosophy, Six Sigma has also become a specific and practical methodology for systematically identifying and addressing significant defects that undermine higher quality.

The Six Sigma process has been described by Brue (2002) (see below). It consists of five steps. The first step is the definition phase. In this step, important problems in business processes are identified, and the critical factors that need to be measured, analyzed, improved and controlled are specified. The second step involves measurement. This step involves establishing measurement systems for "critical to quality" characteristics of business processes. In the third analysis step, root causes of defects are identified, and quality improvement targets, often based on benchmarking, are identified. The fourth improvement step involves implementing quality improvement processes and measuring the results. Finally, the fifth step involves ongoing monitoring and control to insure continuing improved performance of the process.

The Six Sigma approach emphasizes key business metrics and obtaining and analyzing hard data. It requires the identification and isolation of a few vital factors that affect quality and performance. Therefore, the method requires well-defined projects and breakthrough goals. The approach does not involve the "blue sky" planning exercise, it is really focused on: What can we do now to dramatically improve the quality of key business processes.

The popularity of Six Sigma and similar methodologies has led to significantly increased attention within private sector organizations to Key Performance Indicators or KPIs. KPIs measure key business processes and outcomes so that management can monitor organizational performance. Many private sector organizations have made considerable investments to identify and specify key performance indicators and to develop information systems that monitor these indicators on an on-going basis. These indicators are frequently used to establish performance targets and to monitor and manage organizational performance on an ongoing basis. In private industry, it is quite common for performance management systems to track key performance indicators and for management compensation to be tied to improvements in key business metrics.

A related concept, developed by General Electric years ago, is the "dashboard."[17] Brue (2002) describes a business dashboard as a:

> . . . metaphor for the critical metrics to measure business performance . . . Just as you use the speedometer, oil gauge, battery indicator, fuel gauge, and other instruments to monitor the status of your vehicle as you drive, so you want to keep track of key indicators of the performance of your company. Like the dashboard gauges, your metrics allow you to continually assess your progress and detect any potential problems (p. 44)

McGovern et. al. (2004) have recently provided an interesting example of the use of a business dashboard. Poor marketing was identified as a major cause of low growth and declining margins at TESCO, a large U.K. department store chain. Key business drivers were identified as: product, price, place, and promotion. TESCO wanted their marketing to support these key metrics and they wanted a dashboard of indicators that would track the effectiveness of their marketing activities. A dashboard of 20 indicators was developed to track consumer awareness, brand image, customer satisfaction, acquisition and retention of customers, revenue, value, market share, and loyalty. Other indicators considered vital for the success of the company, such as new products in the pipeline and the expected revenue from each, and the inventory of skills within the company, were also added. The dashboard was then used by management and the Board to improve organizational performance.

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[17] A dashboard is really a visual representation of a number of KPI's. Using different terms to describe what are essentially identical concepts can be quite confusing for all but the experts. However, as long as there are books to be written and sold, inspirational business speakers to be marketed, and consulting contracts to be won, it is probably inevitable that the strategic planning field will be replete with similar, competing, and proprietary terms, models and methodologies.

The types of approaches just described are very much focused on improving and tracking business processes and other metrics associated with a company's current products and services. They are not intended to promote "blue sky" thinking about whether a company is in the right business and what the future of a company holds given opportunities and threats in the market, long-range demographic, consumer and other trends, changes in technology, and the like. They are approaches that are very much about the here and now and, particularly, they are about improving the profitability of the current business.

The improvement of business performance based on the use of key quality indicators has become of "movement" in private industry. For example, the National Institute of Science and Technology, an agency of the United States government, administers the Malcolm Baldrige Quality Awards to recognize business excellence and quality.[18] Similar awards programs have been developed by the European Foundation for Quality Management.[19] In all, more than 40 countries, including Canada, have such awards.

The Business Performance Improvement Resource, like the well known ISO standards, is based on the quality frameworks just mentioned.[20] Companies using this model: 1) understand markets and customers, 2) develop vision and strategy, 3) design products, processes and services, 4) market and sell, 5) produce and deliver, 6) invoice and service customers, 7) deliver leadership, 8) develop and manage human resources, 9) manage information and knowledge, 10) manage financial and physical resources, 11) execute environmental management programs, 12) manage external relationships, 13) manage improvement and change, and 14) measure organizational performance – all in accordance with detailed quality standards.

These approaches have been criticized because of their limited scope and, in particular, because they are not of much help in assisting companies to position themselves for a "new tomorrow." In response to this criticism, a number of innovative methodologies have been more recently proposed. One that has become particularly popular is the "balanced scorecard" (Kaplan and Norton 2001; 2003).[21]

The balanced scorecard approach may partly be seen as a reaction to approaches like Six Sigma that have been pre-occupied with error rates associated with specific business processes. Balanced scorecards look at a much broader set of indicators in recognition of the fact that error rates relating to specific processes may not provide organizations with the feedback they need regarding overall effectiveness. Additionally, the balanced scorecard approach has been developed to promote better alignment of strategy and operational performance and, like other methodologies developed in the private sector, to help insure strategic planning results are implemented and monitored through a variety of specific activity and financial performance measures.

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[18] See www.quality.nist.gov.

[19] See www.efqm.org.

[20] See: www.bpir.com.

[21] The "balanced scorecard" is almost better described as a movement rather than a methodology. See for example, the web site of the balanced scorecard collaborative at www.bscol.com.

The balanced scorecard approach is based on five principles: 1) translate strategy to operational terms, 2) align the organization to the strategy, 3) make strategy everyone's everyday job, 4) make strategy a continual process, and 5) mobilize change through strong, effective leadership. In this approach, the ability to implement strategy is more important than the strategy itself! "Strategy maps" and strategic mapping (Kaplan and Norton 2003; Braithwaite 2004) may be used to determine "where do you want to play in the marketplace?" and will resources be aligned to implement strategic directions.

The balanced scorecard approach recognizes that, in an ideal world, measures of business performance would be available across many dimensions of a business's operations. However, it is recognized that, to be useful, indicators must be prioritized and organized to provide summary information. In the balanced scorecard approach, four key areas of performance are generally examined: financial, internal business processes, customers, and learning and growth (see Kaplan and Norton (2001) diagram below).[22]

The focus on results is dramatically influencing the education of business leaders today. Increasingly, business education is recognizing that the challenge in training tomorrow's leaders involves going beyond theoretical knowledge; it must also promote the application of practical knowledge (Andrews and D'Andrea Tyson 2004; Mintzberg et. al. 2003).

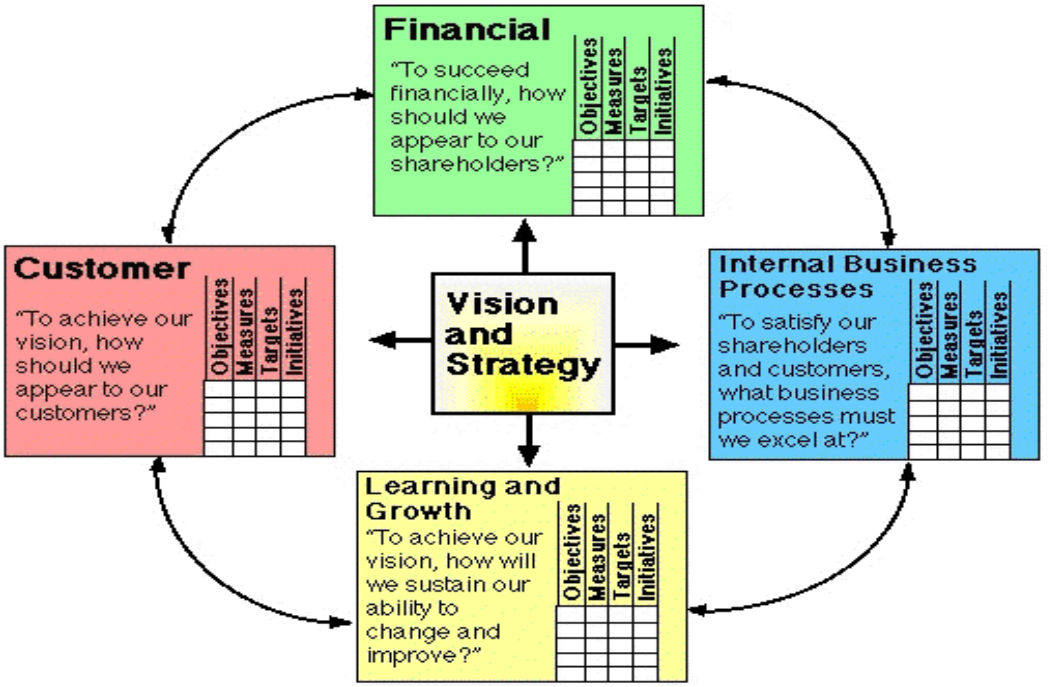
The approaches discussed in this section, and other approaches initially developed in the private sector to step-up accountability for key deliverables, are increasingly finding there way into the healthcare sector. Six Sigma and similar approaches are now being touted as methods for reducing medical errors and reducing operational costs in the healthcare system. Moreover, a national forum for Six Sigma in healthcare is active in the United States.[23]

[22] The balanced scorecard approach requires each organization to identify and define its "mission critical" dimensions of performance. More or less that four areas may be identified, and the conceptualization of each area of performance may also vary.

[23] See www.sixsigma.com/NA-2384.

Kaplan and Norton (2001) – Balanced Scorecard

The balanced scorecard approach was used by the Calgary Regional Health Authority (2004) to "measure our progress in achieving . . . goals." In addition, this approach is also used in many other healthcare facilities and programs in Canada,[24] and it is being taught to future healthcare planners and administrators in many of the most progressive graduate programs.[25]



As the focus on transparency, accountability and performance increases within Canadian healthcare, health executives will come under increasing pressure to adopt the models and concepts that have become popular in the private sector. While there is much to be learned from these approaches, with few exceptions, they cannot be adopted "as is." Rather, the challenge for health executives is to build on these approaches by adapting them to the unique circumstances of complex, public, values-based healthcare organizations.

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[24] A recent professional development event sponsored by the South Eastern Ontario Chapter of CCHSE, for example, featured the balanced scorecard approach. The resource person was a local community hospital CEO.

[25] See for example Braithwaite (2004).

7. Best Practices For Health Executives

It will be recalled from the discussion of methodology in Chapter 1 that the identification of strategic planning best practices involved three steps: the relevant literature was identified and reviewed, the input of key informants was obtained, and a synthesis was prepared and validated with a panel of experts in the field. These best practices for health executives are now considered in this section.

When health executives embark on a strategic planning process, what best practices should they consider? It is not possible to anticipate every set of circumstances and, as noted earlier, much more research is needed to provide a more definitive, evidenced-based framework for strategic planning. Nonetheless, there is some research, a good deal of experience, and lots of expert advice on which the following general guidelines are based:

1. Making The Decision To Plan. Using any one of a number of guides that are available, health executives should carefully consider how to make strategic planning a priority for their organizations. Strategic planning is important for all health organizations, but if the needed organizational commitment and resources are not available, the timing may not be right. If the timing is not right, health executives must consider how to obtain the needed resources and how to prepare their organizations for planning. Moreover, specific expected outcomes need to be identified to justify the commitments that will be required. It is particularly important that the leadership of the organization be "on side." Another important consideration is to answer to the question: Who has the mandate and right to plan? If these stakeholders are not on side, planning will be of little value. In particular, strategic planning is not the exclusive prerogative of health executives, even if they are CEO's. Rather, the Board has an important role in helping to develop the organization's strategic direction's and, ultimately the Board must approve the plan and oversee the CEOs execution of that plan;

2. Planning To Plan. Once a decision has been made to plan, it is important to prepare for planning. What type of planning will be undertaken, and with what specific objectives? Given those objectives, who will need to be involved? What will be the roles of the various participants? What principles and limitations form the context for the planning exercise and how will these constraints and purposes be identified and communicated at the outset so that there is no misunderstanding? Is everyone going into the process with the same expectations; specifically, what is it that will be up for discussion? What is the schedule for completing the process? What steps will be involved? What methodologies will be used? What preparation is needed to ensure organizational receptivity and commitment to the process? Are there background documents (e.g., survey results, previous planning documents, program evaluations, historical information about the organization) that should be assembled ahead of time? What skills and orientation will the participants require? When will the planning start, how long will it last, and when will the exercise be completed?

3. Planning As A Method For Continuous Organizational Improvement. If the planning process is conceived in a liner fashion – as having a beginning, middle and end – participants will see strategic planning as a project to be completed, not as a process of continuous organizational improvement. Therefore, right from the beginning, health

executives should carefully consider the messaging to their organization about strategic planning. Leaders should make clear that the on-going development and review of strategic directions is a priority of the organization. They should also work with key stakeholders to develop appropriate processes to insure this is the case. Given the magnitude of changes occurring in healthcare, a comprehensive review of the organization's strategic plan should be undertaken every three to five years, and annual reviews to insure the ongoing relevancy of strategic directions are also highly recommended. Evaluating the planning process itself, as well as what the process has yielded, will allow for continuous improvement. In addition, a schedule for regularly reviewing and updating the strategic plan should be developed;

4. Mission, Vision and Values. Will the mission, vision and values of the organization be articulated through the planning process or, if these have already been developed, will they be reviewed? Who will be involved in the process, and how will the process work? A number of techniques and tools have been developed to facilitate the articulation of clear mission, vision and values statements and health executives should consider using one or more of these to insure the process does not get bogged down at this stage. At the end of the process, these statements should be clear, brief, realistic and compelling. They should constitute rallying points for the organization. If these statements do not have these characteristics, more work may be required;

5. SWOT Analysis. Assess the current strengths and weaknesses of the organization, as well as the opportunities and threats in the external environment. Many tools are available; use the ones that most align with the purpose of the exercise and the organizational context. As resources and time permit, consider going well beyond management and/or board discussions and retreats to include client/patient surveys, focus groups with front line staff and line managers, input from collateral organizations, and other important sources of intelligence. You want to have a clear and shared picture of how the organization is currently functioning, as well as the trends in the wider environment. Avoid "paralysis by analysis" by carefully considering how much and what kind of information is really critical to achieve the objectives of the exercise;

6. Identification Of Strategic Priorities. Select a limited number of key priorities areas and reach consensus among all stakeholders that these are the areas most critical to the future success of the organization. Long lists of issues that have not been prioritized won't move the organization forward. For each strategic priority, complete a gap analysis to assess where you are and where you want to be;

7. Consider Alternatives and Make Decisions. For each priority area, consider alternate strategies that are consistent with the mission, vision, values and culture of the organization. Develop consensus on the criteria that should be used to select among the alternate strategies. Consider the implications of each alternative, for example, for human resources, capital, financial resources, technology, strategic alliances, etc.. Apply the criteria and make decisions on the specific strategic initiatives that should be proceeded with. Consider how both short term wins and long-term strategic directions can be effectively aligned;

8. Development Of An Implementation Plan. Insure each strategic initiative has an implementation plan, including time lines and milestones, budget, management responsibility, expected outcomes, key performance indicators, etc.. Adequate resources must be applied to ensure the achievement of the goals or the exercise will have been a waste of time. For the planning process to succeed, the alignment of resources and strategies is essential. Develop key performance indicators on the aspects of organizational performance that will tell you whether or not the strategic initiatives are being effectively implemented. Insure implementation is someone's (or a team's) responsibility. Insure implementation plans are incorporated into operational plans, workplans and performance targets for responsible individuals and teams;

9. Monitoring and Evaluation. Develop an accountability framework for the organization. Develop role profiles (including competencies and behaviors) for key actors involved in the implementation of strategic directions. Develop reporting templates and information systems that insure ongoing tracking of strategic initiatives. Develop a high level "dashboard" for senior management and the Board based on key performance indicators. Develop or adjust existing performance management systems to reflect the strategic initiatives. Develop appropriate strategies to link compensation with performance. Don't just focus on outcomes; also focus on process measures that will indicate progress towards achieving key outcomes. Conduct regular meetings with managers and implementation teams to review progress. Keep the focus on key targets over time. Recognize and reward progress; and

10. Communication. Keep stakeholders informed throughout the process. Provide opportunities for those who have not been directly involved to provide input. Celebrate successes. Communicate the new vision and priorities and work to attain buy-in and commitment.

In the end, the process for completing each step in strategic planning depends on the organizational context, the objectives of the exercise, and the available time and other resources. Each step is important and must be addressed, but the options for proceeding are virtually unlimited. However, health executives are well accustomed to making tradeoffs. In the end, when it comes to strategic planning, health executives will find themselves in the all too familiar position of having to accommodate what would be ideal and what is possible.

8. Conclusion

In this chapter, the history of strategic planning, as well as a number of current practices, have been discussed. Following a wide ranging analysis, a rather straightforward reference guide of best practices for health executives was proposed. This check list is suggested as a starting point for health executives who are undertaking strategic planning. The exact steps and the methodology followed at each stage will depend on individual circumstances, however, health executives will benefit from the considerable strategic planning experience within the healthcare sector itself, as well as in the field of association management and in the private sector.

Because there are many different types of planning, many different approaches, and many different understandings of what strategic planning actually entails, leadership from health executives is required from an early stage to clarify the specific objectives for undertaking planning. Once consensus has be reached on objectives and expected outcomes, health executives have the opportunity to contribute to the design of a strategic planning process that will uniquely respond to the needs and circumstances of their organizations. While many self-assessment tools and templates are available, these are not a substitute for the professional judgement that health executives bring to a consideration of what will work within their organizations.

Success is not guaranteed. On the contrary, as the foregoing discussion illustrates, there are many pitfalls and, all too often, the planning process is derailed because of them. However, planning is an essential tool in bringing about increased organizational effectiveness. By being familiar with the common problems encountered in strategic planning, health executives can provide leadership, particularly through advance planning, to help ensure these challenges are considered and appropriately addressed. The involvement of key stakeholders in the design of the process, in overcoming resistance, in dealing with challenges, and in adjusting the process as necessary, is critical to success.

Strategic planning must be positioned, not as a project, but as an ongoing process of continuous organizational improvement. Even as an initial plan is being developed, therefore, health executives are advised to consult and reach consensus on the schedule and procedures for evaluating and updating both the process and the plan.

The purpose of strategic planning is to identify and implement strategic directions that enhance organizational effectiveness. History shows that too many plans end with the planning and fall well short of implementation and measurement of results. Particularly in the current healthcare environment in Canada, one of the key challenges for health executives is not only to make sure their organizations have up to date and meaningful strategic plans, but also to ensure these plans are implemented, monitored and evaluated on an on-going basis. Many stimulating concepts and models have been developed, particularly in the private sector, however, health executives will have to adapt them to be meaningful in a healthcare context.

Wayne Gretzky described his approach to hockey in this way: “I skate where I think the puck will be.” For health executives, strategic planning should be seen as an indispensable tool for becoming their organization’s Wayne Gretzky. Strategic planning will help organizations address current challenges, but it will also position organizations for where healthcare “will be.”

Chapter 3 reports on a case study where some of the practices proposed in this chapter have been applied in practice. Strategic planning within the Canadian College of Health Service Executives

remains very much a “work in progress,” however, the experience to date suggests that many best practices can be adopted, with positive results, even within organizations that have very few resources at their disposal.

Chapter 3

Development and Implementation Of Strategic Directions At CCHSE: A Case Study

This chapter describes efforts to apply a number of the best practices identified in Chapter 2 in a specific organizational setting.[26] Of course, not all the practices suggested in Chapter 2 are illustrated in this case study. Moreover, in many instances, even where best practices were used as a guide, circumstances required that they be adjusted to accommodate stakeholder preferences, as well as time and resource constraints. Furthermore, as with all case studies, the one reported herein remains very much a work in progress.

In common with many case studies, the one described in this Chapter focuses on a specific period of organizational development excerpted from the long history of an organization. While many changes are described, the full effects of these changes will not be known for some time. Links with best practices are identified and preliminary results of the changes, where available, are indicated. But the full effects of the changes can only be determined with continuous monitoring and evaluation over the months and years ahead. Indeed, as the case study illustrates, much of the organizational renewal effort described in this Chapter was directed at putting in place the frameworks and measurement tools to allow this ongoing monitoring and evaluation to occur.

As discussed in Chapter 1, there is no universally accepted methodology for presenting a case study. However, a case study generally provides: 1) a description of the organization, 2) a discussion of the issue or issues the case study addresses, 3) an overview of the information sources that are used, 4) the actions taken, 5) the results achieved, and 6) the follow-on work that is underway or being contemplated.

In this Chapter, an overview of strategic planning and organizational change within the Canadian College of Health Service Executives is provided. To supplement the discussion, many of the key documents relating to these developments are provided in the Appendices.

1. CCHSE: The Organization

The Canadian College Of Health Service Executives (CCHSE) is a professional association with head offices in Ottawa and local chapters (about 25) located throughout Canada. The organization is the professional body for approximately 3,000 health managers and executives working in acute care, and a variety of other health settings. The main activities and responsibilities of the College include: 1) the administration of two professional designation programs, the Certified Health Executive (CHE) designation and the Fellowship (FCCHSE) designation, 2) providing an extensive portfolio of professional development courses and programs, and 3) developing, maintaining and administering ethical standards of conduct for health management professionals.

[26] Specifically, the best practices referred to here are those set out in Section 7 of Chapter 2. The reader is reminded that the methodology section of Chapter 1 describes the approaches used in identifying these best practices.

The College was established in 1970 by a small group of hospital CEOs. At the time, Canada's publicly funded, single payer, medicare system was just developing. These executives believed the recognition of health management as a profession, and the formation of a professional association dedicated to the development of the profession, would be timely.

Since its founding 35 years ago, the face of the College has evolved to reflect changes in the healthcare system. Initially, almost all members of the College were CEOs. However, as the healthcare system has evolved, an increasing number of senior executives, managers, and even middle managers have come to see the College as a vehicle for networking, professional development, and career advancement. Additionally, whereas the original membership of the College was drawn almost exclusively from acute care, over time, managers and executives from other sectors, such as long-term care, rehabilitation, mental health, addictions, public health and community care, have also come to view the College as their professional association. The College now draws members from every disciplinary background, not just health administration, and there is also now a significant strategic alliance that encourages involvement of health managers in the Canadian Forces. And members now include leaders in direct service organizations, but also health leaders in the government, university and private sectors.

The College operates as a voluntary association. Members of the College purchase individual memberships and this entitles them to participate in the election of Directors and in the conduct of business at the College's annual general meeting. Members of the College from each province and territory elect a Director to serve on a national Board. These Directors serve a three year term. Each year, Directors elect a Chair and Vice-Chair to serve as the officers of the Board.

The College Board operates on a modified policy governance (Carver) model of governance. In this model, the main responsibilities of the Board are to develop the strategy and overall policy directions of the organization, to monitor the organization's progress in achieving its mission, to oversee implementation of board directives, to hire and supervise the College CEO, and to link with key constituencies. The CEO is responsible for supporting the work of the Board, implementing strategy and policy directives, and administering day to day activities.

The College would be considered a medium sized professional association. The annual budget is approximately $3m, and the staff complement is about 20.

2. Issues To Be Addressed

This case study focuses on the College's experiences in the development and implementation of new strategic directions. The processes the College used are described and analyzed. Key background documents are referenced in the Appendices.

The focus of the case study is on how strategy was developed and implemented. Various steps and processes used by the College are described, and the roles and responsibilities of various participants are discussed. A common weakness of strategic planning identified in Chapter 2 relates to the implementation of new strategic directions. Therefore, in this case study, particular attention is paid to implementation, including the implications for the organizational structure and management practices of the College.

The period under review covers a short time frame – about 18 months between 2003 and 2005. This was a time of rapid change for the College; the College hired a new President and CEO, a new Board chair was elected, a number of other new Directors replaced Directors whose terms

had expired, significant turnover in College staff occurred, and a number of strategic planning initiatives were undertaken.

The previous College President served the College for nearly seven years. He joined the College at a time when the organization was experiencing significant financial difficulty.[27] For a variety of reasons, the College had spent beyond its means and, for a time, there was a serious danger the organization would have to wind up its operations. Therefore, this period was one characterized by frugality and an eye on the bottom line. There were many ideas about the future development of the College during this time, and a number of these ideas were implemented, however, there was also a general reticence about going too far too quickly for fear that the financial stability of the College would be put at risk.

The previous President left the organization in 2003. One of his legacies was to leave the College on a firm financial footing. This stability positioned the College Board to set about recruiting a new President who would work with the Board and members of the College on an ambitious change agenda. In particular, the Board determined that significant new directions were required to position the College as a "must go to" and "must belong to" organization for health leaders in Canada. In other words, the organization was poised for significant organizational change and development.

3. Assessment and Planning

As discussed in Chapter 2, an essential step in successful strategic planning involves pre-planning. This stage is necessary to lay the groundwork for a successful process. Pre-planning involves gathering together important background documents, consulting with stakeholders, developing a schedule, clarifying terms of reference and expectations, determining the roles of various parties, and identifying the necessary resources.

During 2003 and 2004, the College Board, College members, College staff, and the College President were engaged in a variety of initiatives to review past accomplishments of the College, to evaluate current strengths and weakness of the organization, and to assess opportunities for growth and change. For example, during this period:

* A comprehensive review of College historical documents was completed to understand the history of College programs and priorities and how these had evolved over some 35 years;

* In many venues across Canada, the new College President personally met with Chapter Chairs, Chapter executives, groups of College members, College staff and College

[27] Some observers have suggested that these financial difficulties arose when the College set new strategic directions without adequate attention being paid to the financial implications – a fatal flaw for any strategic plan, no matter how appropriate the strategic directions.

Directors to discuss current programs and how the organization could better address the professional development needs of its members; and

* The Board and staff had several retreats and discussions to review past accomplishments and identify priorities for the future. A number of these sessions involved representatives from the Chapters, as well as other leaders of the profession.

Since no strategic planning process can address every conceivable issue, the best practices identified in Chapter 2 suggest that a key step in planning involves the identification of key strategic issues. As a result of the pre-planning described above, the College identified a number of key problems, challenges and opportunities:

* The College had a strategic plan, but it had not been revisited for 5 years;
* The organization had an annual budget and operational plan, but the two were not clearly linked;
* While the operational plan was linked to the College's strategic priorities ("ends" in the vernacular of policy governance), identified actions and priorities were not incorporated into staff work plans;
* Key performance indicators to help judge progress on implementing agreed upon strategic initiatives had not been developed;
* It had been some time since College members had been broadly consulted about the organization's priorities, with the result that the membership was demonstrating resistance to some of the Board's initiatives because they felt they had not been consulted;
* The organizational structure of the College had evolved over time from many incremental changes, but it was no longer clear how the current structure aligned resources in support of the organizations "make or break" priorities;
* The organization lacked up-to-date job descriptions; and
* There was no system at the College for systematically setting performance objectives and managing performance;

In short, it was apparent that there were opportunities for the Board to review, renew and monitor the organization's strategic directions, and for management to better align and manage the organization's resources to support these strategic directions, as well as to account to the Board and membership for progress made in achieving the College's mission.

4. Action Taken To Develop Strategic Directions

Following the various pre-planning consultations referred to earlier, consultations that included staff, Directors, members and representatives of collateral organizations, two more formal initiatives were undertaken to review strategic directions and priorities of the College: 1) a task force on membership issues, and 2) a Board strategic planning process.[28] In each case, best practices were used as a guide. Specifically, mission, vision and values were reviewed, an environmental assessment (SWOT analysis) was completed, strategic priorities were identified, options were evaluated, implementation plans were formulated, and strategies for monitoring implementation and results were proposed. In addition, each process provided for the extensive and ongoing involvement of key stakeholders.

The membership task force was a Board initiated review of membership issues in the College. Initially sparked by controversy over a proposed increase in membership dues, the mandate of the task force (see terms of reference in Appendix E) was expanded to include a systematic review of who were and were not members of the College, why the College was attracting some types of members and not others, the obstacles to membership, how the College could more effectively reach out to under-represented groups, and what could be done to generally improve the value of membership in the College.

A steering committee was established to oversee the work of the task force. It was made up of Directors and Chapter Chairs, as well as members-at-large from the College membership. Following a review of the results of a previous task force in 2001, the steering committee established 10 working groups to address specific membership issues in areas where it was felt the College should be able to increase it's "market penetration." The College membership was invited to volunteer to work on these working groups, and the response to this invitation was very positive.

Some of the working groups were asked to address under-represented geographical areas, some were asked to address under-represented disciplines, and some were asked to address under-represented sectors of the health system. Specifically, working groups were established in the following areas: 1) acute care and long-term care, 2) government, 3) managers and particularly nurse managers, 4) students, 5) the community health, mental health and addictions sectors, 6) health charities and non-profit associations, 7) Aboriginal health agencies, 8) rural and northern health agencies, 9) physicians, and 10) Francophones. A separate session with College corporate members was also held in early 2004.

Through the College's web site, chat groups were set up for each working group. Each group was assigned a chair. This individual had responsibility for leading the group through a number of specific questions and for reporting back to the steering committee. The questions posed to the working groups were: 1) What success has the College had and why? 2) What are the significant barriers to membership? 3) What could the College do to be more attractive to members? 4) What

[28] For reasons primarily relating to dissatisfaction on the part of a number of key College constituencies, the review of membership issues was viewed by the Board as an urgent priority of strategic importance to the organization. Therefore, the membership task force was initiated while the Board was finalizing the terms of reference for a broader review of the College's strategic directions. Later, the two processes were brought together when the Board considered the report of the membership task force as one of the key foundational documents for its strategic planning process.

other services could the College offer? 5) How could the College grow this area of membership? 6) Would strategic alliances help attract members from this target group? and 7) Are there specific types of events/networking opportunities that would be of interest to this group?

Many College members volunteered to participate in the web-chat discussions and a remarkable consensus was reached across all the groups about some of the key barriers and opportunities that the College should address. These recommendations were provided to the steering committee and the committee formulated a final report, with findings and recommendations, for the Board. The Board discussed and approved a number of new initiatives based on: 1) the likely impact of the recommendations, 2) the relative ease of implementation, 3) the likelihood of success, and 4) resource requirements. Responsibility for implementing the Board's decisions was assigned to College staff. A copy of the Membership Task Force report will be found in Appendix F.

One of the stated purposes of the membership task force was to enlist the involvement of College members in examining membership issues. This was regarded as a key "success factor" of the entire process. Therefore, members were invited to participate in the development of the terms of reference for the task force, they were informed when the task force was established, they were informed about the mandate the task force had been given, and they were informed about the time lines for the proposed work. College members were also invited to participate in the analysis of the issues and the identification of recommendations. Members could join one of the ten working groups, but they were also invited to submit any concerns or recommendations directly to the task force chair. Many did so. Following discussion and approval of recommendations by the Board, a communications roll-out plan involving Chapter Chairs and the general membership was put into place. This insured the membership was fully informed about the results of the task force process, as well as the next steps in implementation. Many of the recommendations involved the Chapters and members. Therefore, the implementation plan developed by the College directly involved them in moving the recommendations forward.

A second key initiative to review the strategic directions of the College entailed a Board strategic planning process. The results of the membership task force were used as one of the foundational reference points for this exercise.

The Board strategic planning process culminated in a half-day retreat organized in conjunction with the Board's regular meeting in November 2004. Considerable planning and preparation preceded this meeting. An external facilitator was contracted to help plan and facilitate the event, and this consultant was also responsible for preparing a follow-up report. This report was subsequently reviewed by the Board and a number of key strategic priorities were identified. The plan for the strategic planning session will be found in Appendix G, while the consultant's report will be found in Appendix H.

Consistent with the best practices discussed in Chapter 2, the strategic planning session with the Board involved a staged and facilitated discussion of a number of important issues. Topics included: 1) looking back over the past several years to identify lessons that could inform the strategic plan, including what had worked well, and concerns about the College's performance, 2) a "SWOT" analysis to assess current strengths and weaknesses of the College, as well as opportunities and threats in the environment over the next 3 - 5 years, 3) the identification of strategic issues that pinpointed challenges that would have to be addressed to ensure the College remained one of the leading professional organizations for health leaders, 4) a review of the existing strategic framework, including how responsive it was to current issues and future

challenges (this included a review of the College's current mission, vision, values and ends statements, as well as the current strategic directions), 5) a review of current and possible future strategic alliances to determine how well the College was being served by existing alliances and what changes were needed to further the College's strategic objectives, 6) a discussion of new and innovative programs that would assist the College in attaining its mission, 7) a review of the College's name and visual identify to examine alignment with proposed new directions, 8) a discussion of the short-term actions required to follow up on the strategic planning session, including accountabilities and deadlines, and 9) an evaluation to assess what went well about the session and what could be improved for next time.

A number of new and significant directions were identified as a result of the Board's strategic planning process, and this process continues. The directions identified by the Board are being refined and prioritized, and a process for consulting with the College membership is being developed. During the coming months, it is anticipated broad consensus will be reached on a number of innovative new strategies that will inform the direction of the College for year's to come.

One of the most important areas of consensus reached by the College's Board was with regard to the issue of leadership. Rather than seeing itself as the leader and promoter of the health service management profession (the earlier mission), the Directors felt the College should more forcefully position itself as the professional organization for health leaders in Canada, irrespective of their disciplinary backgrounds. The Directors took the view that the College should be an umbrella organization that welcomed and served health managers and executives, but also nurse leaders, physician leaders, and leaders from other disciplinary backgrounds. They saw the College as an organization where leaders could come together to identify and develop leadership competencies, and address the pressing issues facing the healthcare system.

Consistent with the best practices discussed in Chapter 2, the Board's involvement in and ownership of the strategic planning process is on-going. The draft report from the strategic planning retreat has been reviewed by the Board, and the Board has defined a process for seeking further input from Board members, Chapter Chairs and the general membership of the College. A schedule has been developed for making decisions about the proposed strategic directions of the College, and time has been set aside at an upcoming Board meeting to consider implementation strategies. Once these stages have been completed, it is expected that the Board will turn its attention to how it wants to monitor implementation and results.

It is fair to say that the Board is on a voyage of discovery – the last Board strategic planning process occurred five years ago and, since that time, there has been a complete turnover in Board membership. However, now that the strategic planning process has begun anew, it is expected that the Board will be turning its attention to two key questions: 1) how will the Board make the development and review of strategic directions an ongoing process within the College, and 2) what accountability and reporting frameworks does the Board want to put in place to monitor and evaluate the execution of strategic decisions. Over the coming year, it is expected that these considerations will figure prominently in the Board's continual improvement of its governance policies and in the development of explicit performance expectations of the CEO.

5. Action Taken To Implement Strategic Directions

As discussed in Chapter 2, one of the most often heard criticisms of strategic planning is that organizations don't follow through and implement the plans they develop. In fact, many of the strategic planning tools and techniques that have been developed over the past decade, particularly in private industry, are intended to assist organizations to avoid this common pitfall.

The best practices discussed in Chapter 2 make clear that strategic planning is only successful when organizational resources are aligned with strategic directions. Having strategies without the resources to implement them is futile. Moreover, best practices also make clear that accountability for implementing directions and achieving results is critical to success. If no individual (or team) is responsible for implementing key strategic directions of for achieving improved results, it is highly unlikely strategic planning will be of much benefit.

While it is the Board's responsibility to develop and oversee the implementation of strategic directions, it falls to the CEO to execute. Execution involves insuring there are implementation plans that align resources with strategic directions, and that appropriate accountability frameworks are put in place to monitor progress. Therefore, even while the strategic planning process was proceeding at the Board level, it was clear that changes within the College's organizational structure would be required to position the organization to effectively carry out the Board's directives.

The assessment and planning the College carried out during 2003 and 2004 identified a number of significant organizational challenges that needed to be addressed to position the College so that it was better able to respond to the organizations "make or break" challenges. A number of organizational change initiatives were undertaken by College management to improve organizational capacity and performance, as well as accountability to the Board and membership of the College. These initiatives fall into three areas: 1) organizational restructuring, 2) performance management, and 3) program evaluation.

A number of changes in the organization of the College's staff resources were implemented during 2003 and 2004 (see the College's revised organization chart in Appendix I). These changes were designed to better align staff resources with the key strategic directions of the College, and to create clear delineations of responsibilities and accountabilities among various positions within the College. Key changes included:

* Executive Director, Professional Programs. Previously, the College's vice-president had a very broad portfolio that encompassed the College's professional programs (the CHE and FCCHE programs), as well as a number of policy and research initiatives. A consensus was reached that the CHE program required significant revision because it was too focused on the competencies of acute care managers, and not nearly focused enough on the competencies of health leaders, irrespective of their disciplinary backgrounds or the sectors they were working in. Also, for the first time, a deadline for completing continuing education requirements was approaching and over half the certified members of the College who required continuing education credits to maintain their certification were not compliant. It was evident that this would be a significant challenge for the College. In addition, although policy and research were technically part of the vice-president's portfolio, due to workload, a number of significant initiatives had remained stalled. Further significant challenges concerned the need to redevelop and strengthen the

College's professional journal – Healthcare Management Forum – and the need to review and revise the College's standards of ethical conduct. The departure of the College's vice-president created the opportunity to develop a new position dedicated to addressing these strategic priorities;

* Executive Director, Policy and Research. During 2003, the College determined that it must become a "go to" and "must belong to" professional organization. This required developing capacity to speak for the profession on the basis of cutting edge research and policy development. Yet, the College had no capacity to carry out such initiatives, and was often criticized by members for being "missing in action" with regard to key debates about important health issues in Canada. In contrast, other professional organizations, such as those representing nurses and physicians, were perceived to be far more visible and active on behalf of their constituencies. A number of important policy and research priorities had been identified over the years, but progress had been stalled, in some instances, for five years or more. To address these challenges, a new position, Executive Director, Policy and Research, was created. Because of limited financial resources and a desire to partner more closely with the health services and policy research community, a joint position was created to provide services to the College and to the newly formed Canadian Association for Health Services and Policy Research (CAHSPR);[29]

* Executive Director, Management Services. Prior to reorganization, the College's CFO was responsible for financial administration, IT and human resources – key College support services. In addition, however, in theory at least, the CFO was also responsible for College communications, including the professional journal, as well as membership services, even though she had no background in either of these areas. Because of the workload, development of the publications and membership programs had become stalled, and there was mounting criticism that the College was not moving forward to address significant problems or to avail itself of a variety of opportunities that had become available. Meanwhile, critical support services for College management, services such as management information and policies and procedures for key College business functions, were not being put in place. Therefore, it was decided that the CFO position would be recast to reassign unrelated duties and to focus the position on providing the leadership that was needed in the development of management support services;

* Director, Conference Services. The organization and delivery of financially viable, high quality professional development events is core to the mission and effectiveness of the College. Previously, the College employed a meeting planner. This individual was responsible for the logistics and catering aspects of the College's conferences, but not for

[29] A position paper had earlier been developed on the College's role in public policy. During the period of restructuring, however, board members expressed a variety of views on the subject. Some questioned the need to create a dedicated policy and research position within the College. Concerns were also expressed about the resource implications of taking on a more prominent public policy role. Some board members expressed the view that this was the job of other organizations, such as CHA. Others felt that there were important areas were the College has a unique opportunity to make a contribution. At the same time, the Board generally welcomed a number of new initiatives, including the Leadership Research Project, which have proceeded because of this new focus. One of the roles of the new Executive Director of Policy and Research is to work with a Board committee on policy and research priorities and to consult with the membership about the College's role. In due course, it is expected a revised position paper will be developed and the Board will have an opportunity to give more careful consideration to the appropriate role for the College in these areas.

the quality of the program, the marketing and attendance, the positive evaluation by participants, or the financial success of the events. There was mounting criticism that some College events were declining in quality, and lower enrollments were also becoming an issue. A new position was created, Director, Conference Services, to bring responsibility for all these key deliverables together;

* Director, Membership Services. As the report of the membership task force had clearly indicated, growing the membership of the College and providing quality services to members is a top College priority and a key to improved organizational performance. Despite this, the College did not have an individual dedicated to the membership services and development function. Previously, "membership" was the responsibility of the CFO, however, in practice, this mostly involved dealing with the financial and administrative aspects of membership, including annual renewals. In order to demonstrate commitment to membership services, align resources with the development of new membership services, and provide a "one stop shop" for members accessing services, the College created the new position: Director, Membership Services;

* Director, Corporate Services. Throughout its history, the College had actively encouraged private corporations who serve the Canadian healthcare system to participate in College activities. Many of the leading private corporations, such as Johnson and Johnson, 3M, Compass, Aramark, Baxter, and Abbott, are long-time members of the College. The College provides a number of products and services to these corporate members, and their sponsorship of College activities is a key source of revenue. Despite the importance of serving corporate members effectively, however, the management of these important relationships and services was a part-time responsibility of the College President and a part-time responsibility of the President's secretary. In order to improve corporate products and services, as well as associated revenues, a new Director, Corporate Services position was created; and

* Corporate Secretary. Support for Board and governance functions was previously split between two support staff positions. One position looked after support for the Board, while a separate position looked after board elections and support for the College's annual general meeting. These functions were combined in a new Corporate Secretary position. Additionally, support staff within the College previously reported to their respective managers. However, much of the College administrative workload is project oriented and, as a result, high demands are experienced in different departments of the College at different times of the year. However, because there was no efficient mechanism for moving around the administrative work, or determining when extra help was needed, it was becoming more and more difficult to maintain a team approach. Therefore, a new reporting relationship was instituted. All support staff now report to the Corporate Secretary and the Corporate Secretary is responsible for ensuring that administrative support requirements within the College are appropriately addressed.

Remarkably, through regular attrition and the reclassification of several positions, it was possible to achieve all of these changes without incremental costs to the College.

Organizational restructuring had another key benefit. The review of strategic priorities and the resources available to address them allowed College management to more fully identify and appreciate significant gaps in organizational capacity. One such gap, for example, has to do with

expertise in communications, sales and marketing. This is an important skill set that the College needs to improve the quality of publications and marketing materials, to develop new and improved membership services, and to increase the College's revenue base. Yet, this is not an area of expertise of any current College staff member, nor is there a position currently dedicated to this important function. As a result of the review, however, College management was been able to reach consensus on this and other priorities for building organizational capacity.

The best practices discussed in Chapter 2 point to the importance of moving strategic directions into operational plans, work plans and performance targets for key staff. Therefore, a second area of organizational change in the College involved the development and implementation of a performance management system. Issues leading to the identification of the need for such a system included the following:

* Most positions in the College did not have a job description setting out key duties and position objectives. There were some job descriptions on file, but none were current;
* Organizational restructuring had resulted in significant changes to the duties and responsibilities of a number of key positions;
* The College developed an annual operating plan, but individual staff did not have a work plan specifying their priorities and performance expectations;
* College departments had not developed specific performance objectives and there was no regular reporting of key performance indicators;
* Personnel files at the College did not contain performance plans, performance appraisals or performance objectives for any staff, and regular performance reviews were not completed for either new or existing staff; and
* No policies or practices were in place at the College linking performance with compensation.

To address these concerns, a number of initiatives were undertaken by College management: 1) a template for preparing job descriptions for all College positions was developed (see Appendix J), and processes for preparing and approving job descriptions were adopted, 2) each College department was asked to develop an annual work plan linked to the strategic priorities of the College, and management staff held several retreats to discuss the responsibilities and key performance indicators for each department (see Appendix K for a sample), 3) after a review of the practices of a number of other organizations, an annual performance appraisal process was put into place (see Appendix L for sample forms), and 4) a proposal for a performance compensation system was developed (Appendix M) and is now in the process of being refined and implemented.

Chapter 2 identifies ongoing monitoring and evaluation as a best practice that contributes to the effectiveness of strategic planning. Therefore, a final initiative with regard to organizational development at the College involved evaluation of College programs and services. In the past, there were few systematic evaluation initiatives. (One exception is the CHE program; all program participants, as a condition of completing the requirements for their designation, are required to evaluate the program and offer suggestions for improvement.) Few processes were in place to collect feedback and management was concerned that appropriate feedback was not available to assist them to evaluate current initiatives and to plan for the future.

In order to address this issue, management of the College undertook a number of initiatives that are still in the process of being implemented. These include: 1) the institution of a requirement that participants at all College events have an opportunity to evaluate the event through the completion of an evaluation form, 2) the institution of a requirement that managers responsible for College events ensure that a summary of the evaluations is prepared and circulated to the management team, 3) the preparation, circulation and analysis of an annual membership survey to ask College members to evaluate the services they have received from the College, make recommendations for improvement, and identify new areas of service they would like considered (see Appendix N), and 4) the preparation, completion and analysis of an annual corporate membership telephone survey to ask College corporate members to evaluate the services they have received, make recommendations for improvement, and identify new areas of service they would like the College to consider (see Appendix O).

6. Results Achieved and Follow-On Activities

It will be some number of years before the results of the multifaceted efforts of the College's Board, staff and members can be fully assessed. Results to date are, at best preliminary. However, they do suggest that improvements in organizational performance are being achieved. For example:

* The strategic planning initiatives of the Board are creating a renewed sense of optimism about the future of the College among many members, and are allowing management to more clearly align organizational resources in support of strategic priorities. For the first time in may years, membership in the College has increased, and there are a record number of new members, students, and participants in the CHE program;

* Feedback from management indicates that the organizational restructuring within the College has created clearer points of accountability for key functions within the College and, even after a brief time, many College events are achieving much higher satisfaction ratings and improved financial results. Participation in a number of key events (as well as the associated revenues) were up 50% from 2003 to 2004, and a further 50% increase has occurred with a number of events in 2005;

* Enhancing the capacity of the College to support strategic priorities has already allowed the College to successfully compete for a number of significant new contracts and events that are bringing more profile and credibility to the College. For example, the College was awarded several large government grants to examine leadership issues in healthcare, was approached to organize a high profile and prestigious international conference, and has been asked to take over the secretariat function for the National Healthcare Leadership Conference (previously housed at the Canadian Healthcare Association);

* Increased clarity about the future directions of the College has allowed staff to be more purposeful and productive, particularly in the renewal of existing strategic alliances and the development of new alliances. For example, the College has renewed its strategic partnerships with university programs in health administration, is in the process of renewing alliances with a number of key national healthcare associations, and has entered into new partnerships with the health services and policy research community; and

* Dedicating resources to revenue generation and clarifying expectations and

responsibilities in this area helped the College move from a $90,000 deficit in 2003 to a significant surplus in 2004.

These are considered significant achievements considering the brief period under review.

7. Conclusion

The formulation and implementation of new strategic directions at the College has begun, but the process will be ongoing for many months and years ahead. Consistent with the best practices discussed in Chapter 2, key initiatives planned to sustain the momentum include the following:

* Making strategic planning and the review of strategic priorities an ongoing priority within the College, not a once every year (or five years) event;
* Insuring that strategic priorities are continually refined and reflected in the College's operational plan and budget, as well as in the work plans of College management staff;
* Moving from a strategic planning exercise to strategic thinking and strategic management;
* Insuring that the College continues to refine performance indicators that measure progress in implementing the College's strategic priorities;
* Ensuring that good intentions about the measurement of key performance indicators and program evaluation are fully implemented and that management uses this information to improve organizational performance. This will entail considerable additional work to develop appropriate management information and reporting systems that are not now in place, but that are needed to allow management and the Board to monitor and improve performance;
* Using key indicators to develop a user-friendly College dashboard;
* Implementing the College's performance management and performance compensation systems;
* Continuing to inform College stakeholders about progress in implementing strategic directions, while providing varied opportunities to receive advice and support from a committed College membership; and
* Developing existing and new revenue sources to support growth in the organizational capacity of the College.

The strategic planning process within CCHSE is on-going and, if best practices are followed, the process of reviewing and renewing the College's strategic directions will continue throughout the life of the organization. Therefore, new directions will continue to emerge over the coming months and years, and there will always be new implementation challenges. For the Board, key responsibilities include ensuring strategic planning directions are regularly reviewed and that decisions are effectively implemented. For the College administration, key responsibilities include implementing Board directions, and managing and measuring progress towards achievement of organizational objectives.

As this report has made clear, there is nothing particularly new about strategic planning. However, health executives have many reasons to hone their strategic planning knowledge and

skills. While the basic steps involved in strategic planning, as well as many of the tools, have not changed much over the decades, the environment has changed. There are higher expectations than ever before that health executives will provide leadership in improving their organizations' transparency, accountability, and performance.

In this report, a detailed review of strategic planning best practices of particular interest to health executives has been provided. Additionally, a number of these practices have been illustrated in a case study. While the case study focused on the development and implementation of strategic directions in a medium-sized professional association, not in the type of large healthcare services delivery organization for which many health executives are responsible, the results are nonetheless instructive. The case study illustrates that, even in an organization with significant challenges and limited resources, strategic planning best practices can be used to achieve marked improvements in organizational performance, without incurring significant additional costs.

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