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Enterprise strategic planning for the 2020s and beyond requires a heavy dose of transformation

by Casey Bedgood

JUST THE FACTS

When developing strategic plans, organizations must look well beyond the next three to five years. At the same time, organizations must be able to pivot and evolve their strategic plans in real time (within reason) to remain viable.

Strategic planning must be methodical, well thought out, inclusive of the right stakeholders and aligned with customer expectations. There's a basic four-step process to begin strategic planning.

An important element to this planning is organizational culture. Strategy is just a theory unless interwoven into organizational culture. Long-term organizational change will only be achieved through culture transformation, which is predicated on vision, mission, values and trust.

As strategists consider strategic planning options for the 2020s and beyond, the million-dollar question becomes, "What are the ideal focus areas?" Will strategies of the past work in the new decade? Or is a new prescription needed?

The market is constantly evolving, and new horizons will require innovative strategies to ensure organizations can compete, remain viable and grow their footprints as the evolution continues. All good strategies begin with a reflection of where the market has been, where it is currently and where it is projected to pivot.

One common misstep for organizations is to focus solely on improving the current state of operations during a three to five-year period. The new world, particularly in healthcare, will require improvement plus a heavy dose of transformation. Subsequently, a new strategic prescription—laden with innovative ideas, speed to execution and customer-centric foci—is needed to help organizations plan for the road ahead beyond the next three to five years.

In healthcare, for example, there have been several strategic pivots in the past decade or so that have reshaped the operating landscape. For years, healthcare organizations were focused on outperforming local competitors. The main strategy was to magnify brand loyalty by providing the highest quality services in the local community. This was mainly a bricks-and-mortar strategy in which enterprises succeeded by meeting operational goals tied to cost, service and quality. If hospitals could outpace the local competition, customer word of mouth all but ensured their market dominance for years to come.

In recent years, however, the market shifted from a local to a regional focus. Depending on the organizational footprint, regional could mean a state or country. Moreover, the healthcare market leaped toward high performance in which newly emerging regional competition required enterprises to meet and exceed goals tied to service, cost and quality.

Thus, there was a massive influx of process improvement methods and experts into the healthcare industry. Many organizations began training lean Green Belts or Six Sigma Black Belts as internal consultants to reduce and eliminate process-related waste. Improvement strategies were centered on reducing costs, improving service and magnifying customer satisfaction.

Some organizations created continuous improvement functions that focused on cyclical process improvement initiatives centered mainly on incremental improvements. The good news is that incremental process improvement can produce great return. But the downside is these mechanisms take time to realize those returns.

While many organizations were focused on creating regional improvement roadmaps for their high-performance journeys, the market shifted again with a renewed customer focus on innovative thinking and disruptive activities. This new market paradigm shifted focus away from regional operations to the national healthcare stage. Moreover, the new market required fast-paced transformational change instead of incremental improvements. This shift also placed customers into the driver's seat, where all facets of healthcare must be customer-centered.

Masters of excellence

In this market environment, healthcare organizations are required to master five elements of excellence: service, cost, quality, people and value. Service, cost and quality are self-explanatory and common across all industries. The people factor relates to initiatives such as workforce engagement, turnover and employee satisfaction. The general industry consensus is that higher levels of workforce engagement and satisfaction are correlated with higher levels of organizational performance.

Value is the new norm in which many organizations are struggling to crack the code.[1] Simply stated, value is anything related to accuracy and timeliness. Customers are unwilling to pay for or tolerate delays or errors in the current healthcare setting. In addition, revenue sources for healthcare are quickly becoming dependent on value and organizations' abilities to meet and exceed customer expectations. Hospitals are being financially incentivized to become masters of excellence.

After high-performance health systems reach this new threshold of excellence, the market now dictates they maintain a continuous improvement culture. All facets of the organization's fabric must be targeted for magnifying customer satisfaction, creating innovative access points for customers to receive care and realizing continued cost reductions.

This new operating environment has spawned a renewed interest for some enterprises to invest in talent, such as strategy and innovation officers. Some health systems have created internal innovation centers and hubs to traverse the

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FIGURE 1

Strategic planning cycle

Fast track pulse check

new market expectations. In some instances, the innovation hubs focus on merging continuous improvement, research and new technologies.

The innovation models and success potential depend on the organizational scope, resources and market. In retrospect, some of these models have succeeded while others have failed. The real question is whether healthcare innovation will be a fad or fashion. Fads tend to be short lived and morph into a distant memory. On the contrary, fashions evolve and retain a long-term market presence.

As the market is currently idling around excellence, transformation and continuous daily improvement culture, the next pivot is just around the corner. The market always forecasts its next step. The next evolution point will be centered on price transparency, consumerism and fee-for-value. These have been extremely hot topics as of late on the national stage and momentum is gaining.

In layman's terms, this means that hospitals and health systems must be the high-quality, low-cost provider of health services when compared to other enterprises across the country. Also, these institutions must be more transparent with their costs by making this information readily available to consumers. Anything else will be unacceptable to customers.

The result will be organizational disruption because the traditional local and regional focuses are no longer relevant. The only question is, "How many healthcare enterprises will be able to pivot and survive?"

The road forward (strategic process)

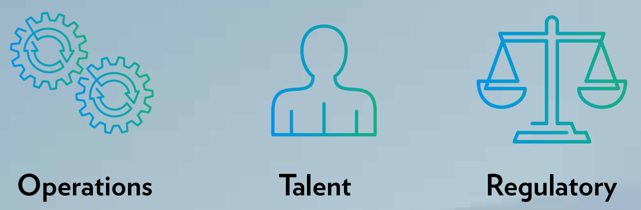
By definition, a strategy is "a careful plan or method for achieving a particular goal usually over a long period of time."[2] All organizations should consider long and short-term strategies. Common strategic focus areas historically have included topics such as revenue growth, cost containment and transforming the quality of services provided. In many organizations, traditional strategic planning initiatives occur annually, and effectiveness tends to be measured at year's end each year.

Will strategies of the past work in the new decade? The most prevalent answer is, "Probably not." What needs to change? Essentially, everything related to the process, focal points and frequency of strategic planning. A simple four-step basic strategic planning process is a good starting point.

Step one: Assess the organization and current market space. This step answers, "Where are we now?" Focal points

FIGURE 2

Strategic planning focus areas



must center on the organization's financial performance (that is, costs and revenues), internal strengths and weaknesses, along with external opportunities and threats. The assessment also should include a deep-dive root cause analysis for weaknesses, opportunities and threats. Leaders must view the assessment with the customer at the center of the process. What does the customer require now and will it potentially require soon? Market data and projections are vital to making accurate current and future-state predictions.

Next, the enterprise should focus on the roadmap planning stage. This stage answers, "Where do we need to go?" Leaders must review vision, mission and values during this phase. Vision is simply where the organization must go compared to where it is. The mission answers, "Why are we here?" Values represent the cultural expectations of the organization. Does the vision statement and culture of the organization align with the current and future market direction? If not, recharter the course quickly by updating vision and values.

Step two: Leaders should craft the three-year operating plan for the organization related to technology, talent, finances and improvement goals for the enterprise at minimum. The three-year plan must be pliable and nimble because the market likely will change annually, if not more frequently. It's imperative to note again that the three-year plan must align with the future direction of the market. If not, the organization will sail in the wrong direction.

After the vision and direction are decided, tactical goals and objectives should be solidified. The goals and objectives must be aligned directly to the vision and multiyear organizational strategy. If not, the organization's final destination will not coincide with the next market pivot.

Leaders must focus on micro, divisional and enterprise goals during tactical planning. Enterprise goals alone will not move the ship in the right direction. Frontline leaders and staff must understand how their micro goals connect directly to the organization's vision and strategy. The divisional leaders are the conduit that will ensure this process is effective. If not, organizational culture will erode the strategic plan at its core. Communication cascade is one of the most important aspects of the planning stage.

Step three: Craft the implementation plan. This stage answers the question, "How do we get there?" Implementation should include tangible plans to activate the organizational roadmap. This includes a simple what, who and when. In other words, what is to be done, who owns it and when will it be done. Progress should be tracked and any implementation items not on track should be elevated to the senior leaders and board for correction.

Step four: Measure and control. This answers the question, "Did we make it?" to the ideal destination. In years past, healthcare organizations, for example, implemented annual strategic goals and measured the outcomes typically at year's end. In the new market environment, periodic pulse checks should be conducted throughout the year. Frequency depends on organizational scope, resources and analytics capabilities. But the market is moving too quickly to wait until the year's end to assess how the organization is performing. An annual pulse check may not prevent an organizational misstep as market pivots occur.

The new world, particularly in healthcare, will require improvement plus a heavy dose of transformation.

Strategy focal points

The strategy process must ensure the plan is aligned with customer expectations and current market requirements, and is agile enough to pivot with future market shifts. The basic recipe for the new healthcare market is to focus on operations, people and regulatory requirements during the strategic planning process (see Figure 2).

Operations is the traditional focal point in which organizations primarily ensure revenues exceed costs. It's a good idea to project cost and revenue streams three to five years out to ensure enough capital will be available to fund strategy. Without

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PITFALLS TO AVOID

- **Lack of organizational awareness.** As it has been said, "Ignorance is bliss." Unfortunately, in today's operating environment, organizations cannot afford to be unaware of the market's current state and next projected pivot. Lack of perspective as to organizational alignment with current and future market requirements is detrimental. Thought leaders must scan the horizon, think several years ahead and measure organizational performance frequently along the journey. Strategic pulse checks, corrections and pivots are the new norm.
- **Lack of communication.** Communicate to executives, divisional leaders, and frontline leaders and staff effectively and regularly. Overcommunicate the organization's mission, vision, values and guiding objectives. Incorporate goals and objectives into a performance-based incentive program. Reward high performers and incentivize low performers to change. Long-term organizational change will be achieved only through culture transformation, which is predicated on vision, mission, values and trust. Strategy is just a theory unless interwoven into organizational culture. Goals will not be attained if no one knows what they are.
- **Bad strategic process.** The strategic planning process should include a minimum of four steps: assessment, planning, implementation and measurement. After goals are attained, control mechanisms must be in place to prevent operational slippage. The process must be as nimble as the market. If the market is pivoting every one to two years or sooner, three-to-five-year strategic plans may be irrelevant. Strategy leaders must understand the current market state, its volatility and destination for the next pivot with reasonable certainty. If not, the enterprise's aim will be off target. Strategic plans must be visionary at the core, but moldable to the market shifts and rate of change.
- **Excluding regulatory experts in strategic planning.** Strategy leaders must include all the relevant stakeholders during the assessment and planning phases. Healthcare is one of the most highly regulated industries, and regulations tend to change often. A good example is a health system that attains ISO 9001 certification, which requires the organization to have a continuous improvement method, tools and outcomes. If continuous improvement is not included in the strategic plan, the organization will not be compliant, thus, jeopardizing its revenue stream and market relevance.
- **Lack of understanding or focus on value.** Regardless of industry, all customers expect to receive value from each transaction with any organization. Value is essentially anything a customer is willing to pay for. If the organization is laden with delays or errors, for example, the customer will look elsewhere for that good or service. Value add is the new norm and the minimum expectation for service industries, particularly healthcare. Organizations that add value will thrive while those that don't will shrivel on the vine.
- **Focusing on the new shiny models, concepts and technology.** The basics must be in place for the shiny to work. A good example is an organization that invests in a new technology that the workforce does not understand or support. Years ago, a healthcare system invested in an internal social media platform. The leaders and staff already used more than a dozen communication platforms such as cell phones, work phones, pagers, e-mail, external social media and many others. The internal platform was seen as just another time zapper and was not accepted or used by the leaders and staff. Thus, the new technology was not worth the investment and did not improve organizational performance or customer satisfaction. Master the basics before leaping toward new shiny objects. *—C.B.*

funding, strategy will remain an elusive theory with minimal impact on organizational outcomes long term.

Another crucial piece of operational strategy focus is service. In the healthcare industry, service essentially equates to customer experience. In years past, the lingo was "customer satisfaction," which organizations measured how satisfied customers were with the organization's performance overall during a service interaction.

Now, healthcare organizations have shifted to the tag line of "customer experience," which measures the service-level satisfaction each customer has with each touchpoint during his or her service journey. A touchpoint is anywhere the customer touches the organization and vice versa. This is a more holistic approach to assessing, measuring and improving the overall customer experience while providing service recovery in as real time as possible.

The second and arguably most important strategic focal point is people. Peter Drucker and other thought leaders have alluded to the fact that "Culture eats strategy for breakfast"[3] or lunch. Thought leaders must consider the talent

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pool currently available, organizational culture and learning when crafting strategic plans.

As previously noted, organizational culture is the way work is done in the enterprise. Is the culture change-resistant? Or does the culture accept change? Strategists can create amazing plans that ultimately will sink like a lead balloon if culture is not aligned properly.

Another important aspect is the current talent pool and learning strategy. It's imperative to know whether the organization's talent pool is equipped and aligned with the strategy. A good example includes the adoption of new technology over a three-year period. If the strategic plan includes tactics to implement the new technology in year one, the leaders must have talent skilled prior to the implementation. If the talent pool needs two years of training to upskill, the strategy will not be successful as planned. Timing, talent and strategy execution are not mutually exclusive. In reality, they are intermingled and required elements of successful strategic execution.

The final focal point of strategic planning is regulatory. We have experienced this many times in healthcare organizations in which regulatory experts are not included in the strategic planning process. Subsequently, strategies must be adjusted or reworked after the fact as regulatory requirements emerge. Thus, strategies become fractured and less effective. Ultimately, operating plans instead of visionary canvases transform the organization.

The main regulatory focal point should be risk. By definition, risk "is the possibility of loss or injury."[4] The new lingo used in many progressive healthcare organizations is risk-based thinking.[5] Risk-based thinking requires enterprise leaders and strategists to identify, control and improve risks during organizational planning. The goal is to be proactive, not reactive. The questions strategists should answer are: "What are the risks if we don't change?" and, "What are the risks if we do change?" Mitigation plans for all risk types should be included in the strategic canvas.

Sample risks may include turnover, succession planning, transferring knowledge throughout the organization, implementing new technologies, partnerships, emergency management plans, capital funding and many others. Don't wait until the risk becomes a reality. Reward leaders for thinking outside the box and mitigating risks early. Leaders must understand that risk to the organization is a risk for the customer, and vice versa. All risks should be controlled and mitigated before affecting the customer.

The new prescription

The new norm and only constant in today's market is change. As the market changes, so must organizational strategic planning processes. Strategic planning must be methodical, well thought out, inclusive of the right stakeholders and aligned with customer expectations.

The old prescription focused solely on improving organizational performance over long periods no longer will suffice. The new prescription must include a heavy dose of transformation where the organization's future state will become radically different quickly.

Moreover, as the market continues to pivot, organizations must evolve their strategic plans in real time (within reason) to remain viable. Ultimately, more does not always equate to better. If an organization focuses on the new shiny innovative foci when fundamentals, such as culture, process and structure, are missing, there is a good probability that the shiny will become a distant memory sooner than later. QP

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