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Trustee Leader

Information, policy developments, and educational opportunities for health care trustees

THE BOARD'S ROLE IN STRATEGIC PLANNING

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Building and maintaining focused, accountable, and visionary trustee leadership is one of the principal challenges for hospitals and health systems in today's turbulent health care environment. Hospital and health system boards face difficult choices in a time of burdensome governmental regulation, inadequate reimbursement, increasing competition, and shifting community needs.

A highly effective strategic plan is not simply a static set of strategies, plans, budgets, and responsibilities. To be successful, it must include an ever-evolving process of examining the market for information that helps the board understand changing dynamics and reshape the organization's strategic direction.

Three Important Truths About Strategic Planning

There are three important truths that hospital and health system boards should understand about strategic planning:

- 1) **Trustees must be assured that senior leadership is asking the right questions and using the appropriate tools to ensure an evidence-based, outcomes-focused strategic planning process.** There is an overwhelming amount of information available at any given time that may be relevant to the planning process, and board members do not need to know every detail to make intelligent decisions and wise choices about the future.
- 2) **Strategic planning processes, structures, and systems must be nimble and flexible, and must adapt to new information and new realities that have not yet been envisioned.** Because of the rapid pace of change in health care, what organizations know today is very different from what they are likely to know tomorrow.
- 3) **Trustees must build their collective "knowledge bank" with sufficient "capital" to ensure their decisions and leadership can withstand scrutiny.** Trustees will never know everything they would like to know to be totally confident in every decision they make, but they collectively need to amass key knowledge and skills to be effective.



To access Larry Walker's Webcast on this topic, go to www.htnys.org/training/audioconnect and choose "Free Downloads."

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Steps in the Strategic Planning Process

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

1. Ensure a Strong Foundation

This step begins with the three critical components of the health care institution's foundation: its mission, values, and vision. While the mission and values may change little over time, the organization's vision is an ever-evolving look into the future. The board of trustees should ensure that these three components are carefully examined:

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

2. Understand the Environment

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

3. Understand Challenges and Opportunities

Use the findings from steps one and two to define the primary challenges, barriers, and opportunities confronting the hospital or health system, and determine the factors most critical in future success.

4. Set the Direction

Analyze changes to existing strategies and develop new ones that respond to environmental change and that capitalize on significant opportunities.

5. Prioritize

Prioritize strategies and objectives to ensure they support the organization's mission and vision, using rating criteria

STRATEGIC PLANNING STEPS

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such as urgency to achieve, feasibility of success, and overall impact on community health and the organization's competitive position.

Key Board Responsibilities and Opportunities

Governance leaders play a unique and very important role in the hospital or health system's strategic planning process, and in its ongoing strategic success. The role of the board is to be a leader, a motivator, and a catalyst for strategic success.

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

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

Why Strategic Plans Fail

Plans may fail because the board does not make strategic planning a high enough priority, and does not hold executive management appropriately accountable for plan outcomes. Achievement of the organization's mission and vision is the number one job of the board. The best way to ensure that the mission and vision are achieved is to have a strong, vibrant, and outcomes-focused strategic plan. A reward sys-

tem for the chief executive officer and other senior leaders that is tied to the achievement of specific objectives can help ensure that the plan is meaningful and measurable.

Plans may fail if the board of trustees is unwilling or unable to devote the time and resources necessary to develop and implement the plan successfully.

Thirdly, plans may fail because participants believe that health care is changing too rapidly and the environment is so uncertain that long-range planning is simply an exercise in futility. This is a false, and potentially hazardous, belief. The rapidly changing and uncertain environment increases the need for strategic thinking and planning. However, planning cannot take place in a traditional “straight line” manner. Instead, it must rely on critical thinking and the ability to plan in “black, white, and gray.” Boards and executive teams need to think through scenarios for the future, define potential changes for a variety of circumstances, and define strategic responses in advance.

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Powering Strategic Success: Ten Key Governance Assets and Abilities

The board plays a significant role in ensuring the success of the hospital or health system’s strategic plan. However, fulfilling that role is not easy. It requires a number of governance assets and abilities to ensure strong and effective leadership of the strategic planning and strategic change processes.

- The board must be able to pioneer new thinking and new responses to emerging community needs. That requires innovation and the ability to think outside the customary boundaries of strategic planning.
- The board must create and nurture a culture that welcomes and embraces change as a creator of new opportunities. Change is, and will be, a constant in health

care. It needs to be accepted and used as a strategic asset, not a success inhibitor.

- The board must deal forcefully with unplanned and unexpected change. To do that, the board must carve out adequate time on every board meeting agenda to discuss emerging trends, issues, and challenges, and determine their relevance to the strategic plan.
- The board must realize that there is no straight path to the future. Instead, the dynamic, rapidly changing maze hospitals and health systems must navigate requires governing boards to think creatively through strategic responses to a wide range of scenarios. Accomplishing that will require a governance environment and infrastructure capable of fully capitalizing on board members’ knowledge, insight, and experiences. This leadership capital is essential to the organization’s strategic success.
- Strategic governance leaders should help define the community benefit and value created as a result of successful execution of the plan. The ability to define, measure, and report benefit and value is becoming increasingly important in today’s hyper-scrutinized environment.
- A focus on vision and outcomes is vital to strategic planning success. The board should be most concerned with the “what,” rather than the “how” of strategic planning. That requires a consistent focus at the very highest level, leaving the details of plan implementation to those who are accountable for it.
- New information is not useful unless it is put to work. Board members must be able to make rapid, timely, and well-informed decisions.
- Strategic winners are those who anticipate market needs and opportunities ahead of their competitors. This governance asset is a powerful companion to management’s day-to-day focus on implementation.
- Finally, the ability to lead with purpose and consistency through unplanned and unexpected change gives senior leaders and employees confidence in the organization’s ability to adapt its strategic thinking and responses when necessary.

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The Strategic Assessment

The following are examples of the types of questions that typically emerge at the board level when a strategic assessment is properly used:

- What are the most important forces driving the organization's future success?
- How can the hospital or health system improve its image and enhance consumer preferences?
- How can the organization best capture market share from its competitors? Will competitors be different in the future? How?
- What services have the most potential for growth—both existing services and those that could be created?
- What are the primary factors driving patient out-migration, and what can be done to retain more business?
- What is the organization's role and responsibility in addressing the primary service area's most serious health risks?
- How attractive will the primary and secondary service areas be to aggressive competitors in the future?
- How do the service area population mix and economic character affect future development potential?
- What should be the organization's short- and long-term financial growth strategy?
- How should the hospital or health system balance expense reductions with the need to invest in future service development needs and opportunities?
- How can the organization continue to fund capital needs and growth strategies in the face of declining margins?
- How can the hospital or health system ensure an adequate supply of registered nurses, technicians, and other employees required to meet emerging needs?



For more information on strategic planning and other governance topics, visit HTNYS' Center of Excellence for Trustee Training at www.htnys.org/training.

These are the types of critical questions that need to be explored in the strategic planning process. They are questions that typically result from a close examination of the data and information contained in a well-executed strategic assessment.

Reviewing Your Strategic Plan: Ten-Point Success Checklist

At each board meeting, a few minutes should be spent discussing the following questions about the strategic plan and strategic planning process:

- Does the plan build on the organization's strengths?
- Does the plan correct or minimize the organization's weaknesses?
- Does the plan contain a realistic appraisal of the organization's markets, customers, and competition?
- Can the plan be understood by everyone involved?
- Does the plan appropriately balance risk and return?
- Is the timing of the plan realistic?
- Does the hospital or health system have ready access to the resources required to achieve the plan?
- Is the organizational structure compatible with the objectives of the plan?
- Does the plan support the image the organization wants to convey, both internally and externally?
- Does the hospital or health system have the leadership capacity to sustain the plan over time?

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

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