Strategic Planning: A Structured Approach to Directing Resources to Achieve Your Organizational Objectives

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Learning Objectives

- Learn the framework of strategic planning and how to accomplish a strategic plan using a structured approach.
- Understand how to use scenario-based planning as part of the develop of a strategic plan.
- Identify the value of continuing a structured approach through the implementation of the strategic plan.
- Move from strategic planning to strategic management

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Agenda

I. A Framework For The Strategic Planning Process

II. Using Scenario-Based Planning To Deal With The “Unknown”

III. Planning Is One Issue, Implementation Another

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I. A Framework For The Strategic Planning Process

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What is Strategic Planning?

- A thoughtful and structured process for responding to “change drivers” in your environment
- The allocation of resources to programmed activities calculated to achieve a series of organizational goals in a dynamic, competitive environment
- A road map

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Environment Drives Strategy. . .

& Strategy Drives Structure. . .

& Systems Support Structure. . .

To paraphrase Peter Drucker. . .

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Organizations Use Strategic Planning To Match Resources To Their Mission & Objectives

Strategic planning
is your organization's process of continually
assessing its internal capabilities
and the external environment*
in order to determine how best to use its
limited resources to meet your strategic
objectives.

* Payers, consumers, and competitors

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Value of Planning for Organization

- Interprets the mission and vision, providing clear direction for the short-term and for the future
- Serves as a formal process to allocate limited resources – establishing strategic priorities
- Ensures organizational alignment
- Establishes the basis for on-going performance reporting on organizational status provided by the chief executive officer to the board

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Value of Planning for CEO & Management Team

- Provides clarity from the board regarding organizational priorities and performance expectations
- Serves as the basis for development of organizational infrastructure and operating plans
- Serves as the "platform for action"
- Serves as the basis for departmental and program plans

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Strategic Planning Is Critical Dimension Of Strategic Management

Strategic management is an integration roadmap -- a business management methodology integrating

- ✓ Strategic plan
- ✓ Performance measurement design
- ✓ Integrated business operations planning
- ✓ Management reporting processes
- ✓ Organizational culture and reward system

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Overall Strategy Development Process

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OPEN MINDS Recommended Phased Business Strategy Development Process

Phase One: Scenario-Based Strategy Development

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Phase Two: Modification of Business Unit Plans to Support Strategy Implementation

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Phase Three: Development of Strategic Plan KPI & Executive Team Performance Dashboard

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Phase One: Scenario-Based Strategy Development

1. Confirm short-term and long-term organizational objectives
2. Analyze external and internal factors that affect strategy
3. Identify likely environmental scenarios and related strategic issues and priorities
4. Develop strategic priorities and related tactics
5. Develop a strategic action plan with a high-level implementation plan

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Phase Two: Modification of Business Unit Plans to Support Strategy Implementation

1. Marketing and development plan
2. Technology and communications plan
3. Operations management plan
4. Human resource and talent management plans
5. Financial management plan
6. Organizational and program budgets
7. Recommendations regarding organizational structure

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Phase Three: Development of Executive Team Performance Dashboard

1. Determine critical performance outcomes for success of strategy
2. Identify leading indicators and metrics that track these performance outcomes
3. Develop key performance indicator metrics and related specifications
4. Create an executive team performance dashboard based on these strategy key performance indicators

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The Role of Mission, Vision & Objectives

- Entire organization agrees on common purposes via mission and vision statements
- Objectives should be quantitative, measurable, and time-specific

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External Analysis Answers Four Key Questions

- What trends are influencing the market at this time?
  - ✓ Shifts in financing, service delivery structure, legislation, or consumer movements
- Who are our "customers" and what do they want?
  - ✓ Payers and consumers
  - ✓ Image assessment and positioning
  - ✓ Value and quality definitions
- How much are payers and consumers willing to pay for services?
  - ✓ Acceptable price points
- What other organizations are competing for our payers and consumers?

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Internal Organizational Analysis of Current Service Lines & Their Metrics

- "Services" and "service lines" are the building blocks of strategic planning
- Service lines are all products and services provided by an organization – organized into groups using customer-focused criteria
- A service is defined as "experience" purchased by the customer with defined features that solves a particular problem or meets a particular need
- The concepts of "benefit" and "perceived value" are key -- "What problem does this service solve?"

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Service Line Metrics Needed For Strategic Planning

1. Income/revenue, by source and service line
   - ✓ Allocated charitable income/revenue, by service line
2. Profit/loss by service line without charitable allocation (if NFP)
3. Total profit/loss by service line
4. Total number of consumers served, by service line and payer
5. Total number of service units delivered, by service unit type, by service line and by payer
6. Staff/facility productivity or yield, by service line and/or operating units

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Service Line Metrics Needed For Strategic Planning *(cont)*

7. Total direct cost per service unit, by service unit type
   - ✓ Total indirect cost per service unit
   - ✓ Total cost per service unit
8. Profit/loss per service unit
9. Consumer satisfaction and performance, by service line
10. Charity/subsidy as % of total unit cost (if NFP)

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Use Service Line Metrics For. . .

- Benchmarking
- Portfolio analysis
- Developing service-specific strategy

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Identifying Strategic Options – Selecting Strategies, Tactics, Markets & Services

From analysis to strategic decision making. . .

The synthesis of external environmental information with internal operations analysis

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Three Common Strategic Challenges

- Revenue maximization (lost opportunities)
  - ✓ Expansion of core competencies into new markets and/or core competency leverage through new technologies
- Revenue diversification (overdependence on few payers)
  - ✓ Diversification of funding streams for current services
  - ✓ Expansion of current services into new markets
  - ✓ Creation of new service for current market
  - ✓ Creation of new service for new market
- Profitability management (negative margin)
  - ✓ Strategy driven by understanding of service line performance metrics, both financial and clinical (service reengineering and value proposition strategy)
  - ✓ Management of unit/case costs with thresholds for withdrawal from markets as reimbursement changes ('last man standing' strategy)
  - ✓ Models for integration, merger, and & collaboration (the 'sugar daddy' and/or 'herd' strategy)

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“Strategic Options” For Consideration

1. Closure of services/service lines that are not profitable and/or affordable and/or “good fit”
2. Strategies to improve margins of existing service line
3. Building “value added” products to increase margins
4. Expansion of successful service lines (expansion of geography, new customer base, etc.)
5. Diversification of revenue sources
6. Reconfiguration of services within “value chain”
7. Strategies to address shifting “economy of scale” issues

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II. Using Scenario-Based Planning To Deal With The "Unknown"

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Successful Organizational Change Demands Both A Vision & A Plan

- Most organizations need to move forward with implementation without “final” information
- Most practical option is concurrent scenario building and planning

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A Scenario Is. . .

- An outline of an hypothesized chain of events
- Depictions of a future that are useful to clarify thinking -- not predictions or forecasts of what will happen; rather, a suggestion of what might happen
- Several (usually 3-5) descriptions of hypothetical situations -- interspersed with extrapolations of trends; more useful for understanding options and dealing with uncertainty than in predicting specific events

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Scenario Planning Process

1. Build scenarios of likely future situations and high-level implementation plans for each
2. Determine the “common elements” in the scenario implementation plans – common organizational capabilities, resource investments, partnerships, etc.
3. Select the “most likely” scenario to occur as the basis for the strategic plan
4. When building the operational implementation plan, implement the “common elements to all scenarios” first
5. Monitor events to update scenarios and action plans
6. Continuously update both the scenarios and the implementation plans based on new developments

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Strategic Tasks In Scenario Plan	Scenario Analysis Model – Common Activities					
	Promotion of Preferred Model	Scenario #1A: Integration – FFS Provider Payment	Scenario #1B: Integration – Subcap Payment	Scenario #2: Statewide Carve-Out – FFS Payment	Scenario #3A: Local-Option Carve Out – FFS Payment	Scenario #3B: Local-Option Carve Out – MBHO Partner
#1 Develop presentation to promote the preferred model.	x					
#7 Determine and manage unit costs of services.		x	x	x	x	x
#9 Establish billing and AR systems for FFS billing within managed care		x		x		x
#15 Develop UM and prospective authorization functions.			x		x	
#5 Present model to other identified stakeholders to solicit endorsement.	x					

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Why Scenario Planning?

- Prevents organizations from focusing on catastrophe, to exclusion of opportunity
- Allocates resources more prudently
- Preserves options – anticipates unexpected developments
- Ensure you're not fighting "the last war" – planning based on future events (not past)
- Gives the executive team the opportunity to rehearse for "any possibility"

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Typical Scenarios. . . .

- Loss of major contract
- Decrease in payment rate
- Drop in referrals/market share
- New competition
- ??
- ??

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III. Planning Is One Issue, Implementation Another

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Key Post-Planning Organizational Work Plans & Budgets – To Refine Planning Assumptions

1. Marketing and development plan
2. Technology and communications plan
3. Operations management plan
4. Human resource and talent management plans
5. Financial management plan
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Best Practice Budgeting

Budgeting is a vital link in the overall planning process.

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If Strategic Planning Is So Good, Why Do Many Plans Fail To Be Implemented?

It’s in the implementation process. . .

“Action detailing” critical ingredient for success

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Action Detailing Elements

- Identify all specific tasks in each area necessary to support strategy implementation
- Identify resources required to complete each task (time, finances, organizational change, etc.)
- Name of individual accepting responsibility for each task
- Timeline for completion
- Success measurement milestones for action plan

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Implementation Tasks/Action Steps Develop E-Health Program	Start Date	Target Complete	Assign & Estimated Hours	Est Cost
1. Identify major sources of XXXX funding for e-health and interested provider organizations. Develop a database of organizations and referral agents.				
2. Develop an service management program template and budget				
3. Develop functional responsibility specifications for implementation of e-health program, along with any required changes in position descriptions, a plan for KPI reporting, and compensation recommendations				
4. Based on size/profitability of referral sources, assign each referral source to the schedule for a briefing on services				

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Factors Contributing To Failed Plan Implementation

1. Poor preparation of line managers
2. Definitions of service lines and operating units not precise
3. Vaguely formulated goals
4. Inadequate information bases for action planning
5. Badly handled reviews of business unit plans
6. Inadequate linkage of strategic plan with other control systems

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Five Steps To Successful Strategic Plan Implementation & Evolution To Strategic Management Model

- Step 1: Before nominating ambitious strategies, make certain functional overload won't exist
- Step 2: Contain "strategic shock waves" (value of pilot projects and development teams)
- Step 3: Leadership must give personal attention to potential plan integration conflicts
- Step 4: Don't disband strategic planning team until detailed action plans developed and tested
- Step 5: Communicate downward and upward

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"Thousands of engineers can design bridges, calculate strains and stresses, and draw up specifications. . .

But the great engineer is the man who can tell whether the bridge should be built at all. . . And when. . ."

By Eugene Grace

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Resources

- Strategic Positioning & Strategic Planning: Integrating Critical Marketing, Operations, and Finance Functions For Success
  http://www.openminds.com/circlehome/eprint/a2000/090100/090100b.htm
- An Industry Merger & Acquisition Update: Planning Strategy in the Midst of Consolidation
  http://www.openminds.com/circlehome/eprint/2010/020110/020110f.htm
- Strategic Leverage Through Technology In Behavioral Health & Social Service Organizations: Key Is Integrating Technology Planning With Organizational Strategy
  http://www.openminds.com/circlehome/eprint/2002/070102/070102b.htm
- Commodity Market Pricing and Business Planning: How Can Provider Organizations Respond to Falling Payment Rates?
  http://www.openminds.com/circlehome/eprint/a2000/040100/040100a.htm

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Upcoming Educational Events

- Strategic Planning Institute Pre-Conference to the National Association of Addiction Treatment Providers Annual Conference
  May 20-21, 2010 La Cantera Resort, San Antonio, Texas
  www.openminds.com/spi
- Management Excellence Seminars: Measuring and Managing Performance
  June 3, 2010 – NHS Training & Meeting Center, Blue Bell, PA
  www.openminds.com/mes
- Service Line Decision-Making & New Service Development: Tools for Evaluating & Designing New Service Offerings *June 17, 2010 – OPENMINDS Executive Leadership Web Seminar*
  www.openminds.com/educ/series3_session4.htm
- Executive Leadership Institute: Discover the Lessons of Great Leaders in Times of Crisis *September 22-24, 2010 Gettysburg, Pennsylvania*
  www.openminds.com/eli

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Bringing The Management of Behavioral Health & Social Services Into Focus

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