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About FYA

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Scenario Planning: A Better Way to Plan Strategically

By Nathan S. Kaufman

Nathan S. Kaufman is a leading authority and consultant for hospital financing and planning. He is an extremely popular speaker. Most national healthcare conferences of importance include him on their faculty. FYA is proud to add him as a regular contributor to this newsletter.

Most hospitals and healthcare providers engage in strategic planning. Few of these strategic planning efforts can be considered successful - in fact few organizations (or consultants) can define when a strategic planning effort is a success and when it is not.

Strategy is a deliberate decision by an organization to make a significant, multi-year investment of resources (i.e., time, money, manpower) for the purpose of achieving specific, measurable improvements in the organization and/or the population it serves.

Ultimately, this desired outcome of a strategy is measured by quality metrics and net income. In many cases, organizations base their strategy on the subjective beliefs (instincts) of executives and board members. This rarely results in successful strategy. It is argued that strategies can have "intangible" benefit to an organization and thus can still be "good strategy." But Nate's "Rule of Strategy Justification" is "Every strategy has no more than four degrees of separation from heaven." That is, one can make a compelling argument to support doing just about everything. Measurable positive impact on quality and net income is the key to differentiating good strategy from good intentions.

Good Strategy Requires Investment and Divestment

Strategy requires a significant multi-year investment of time and money. Since most organizations have limited resources, it is almost always necessary to divert resources from other areas of less strategic importance. Good strategy requires tradeoffs. It is as important for a strategic plan to identify where an organization is going to shrink (i.e., stop investing) as identifying where the organization is going to grow.

Separating Visioning vs. Hallucinating

Visioning can be one of the most harmful steps in a strategic planning process. Many planning "experts" will engage the leadership in a "visioning process" to determine the leadership's vision of what the organization should look like in five years. Then the organization identifies its gaps and develops a plan to fill the gaps and achieve their desired vision. This "Kabuki Theatre" creates a dream not a strategic vision. The key question in developing a "strategic vision" is: "Given a likely scenario for the

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healthcare market of the future, what will the organization *need* to look like to achieve its goals of measurable quality and net income. What do you *have* to be, NOT what do you want to be?" The former question is answered with detailed analysis rather than opinions and feelings.

Scenario Planning: The Next Generation of Strategic Planning in Healthcare

Scenario planning has been used successfully in other industries for years. Scenario Planning requires the following steps:

- o Define the ultimate measure(s) of success
- o Define probable scenarios for the future and their implications
- o Define imperatives to achieve success in this future scenario and access your competencies for addressing these imperatives
- o Develop metrics to monitor progress for addressing these imperatives
- o Develop specific strategies to achieve these metrics

For example, after empirical analysis, most hospitals should conclude that in order to achieve a desired level of net income in the future, it will be necessary - i.e., an *imperative* - to reduce length of stay, without compromising quality. Specific metrics for monitoring length of stay and

quality can then be developed to set goals and monitor the progress at meeting this imperative. Should the hospital implement a hospitalist program as the key strategy for this imperative, it can then monitor the success of the strategy and make mid-course corrections if necessary.

Strategy Sessions Should Make Your Palms Sweat

The Law of Group Polarization states:

"When people only engage in deliberation with like-minded others, they end up more confident, more homogeneous and more extreme in their beliefs...even though they may be dead wrong."

It is critical to invite key stakeholders with different perspectives to participate in the planning process. Some hospitals invite participation by multiple consultants in order to encourage different points of view. Strategic planning meetings need to be uncomfortable.

A key by-product of the planning process is development of a common mindset among stakeholders that initially held diverse opinions.

You can reach Mr. Kaufman with questions or comments at NKaufman@foryouradvantage.com



About



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