

Special Report

Strategic Planning for Medical Groups

The Importance of Long-Range Planning



Make Decisions, Resolve Conflict, Move Forward



Strategic Planning for Medical Groups

The Importance of Long-Range Planning

Why Planning Is Important for Medical Groups

“Would you please tell me which way I ought to go from here?” asked Alice.

“That depends a good deal on where you want to get to,” said the cat.

“I don't much care where—” said Alice.

“Then it doesn't matter which way you go,” said the cat.

- Lewis Carroll in *Alice In Wonderland*

In today's increasingly competitive health care environment, one cannot take the position of “I don't much care...” that Alice did. The decisions required to be made are too important to be left to “evolution.”

Decisions facing medical groups today are significant and have long-range implications. They involve such things as the need for new facilities, the addition of physicians, the purchase of major equipment, computerization of the practice, the addition of new services, and a host of others.

Each of these decisions require substantial resources and lead times. In addition the decisions are often interrelated. For example, the decision to add additional physicians can be constrained or impacted by the size of your facility.

But the significance of the needed decisions is only one factor highlighting the importance of long-range planning. Without planning, physicians in medical groups rarely have a common vision of the direction their firm is moving. This



can result in inefficient utilization of resources, lack of direction for the administrative staff, and lack of any progress for the group.

Why is long-range planning important?

- Significant changes in the environment can hurt or help the group. Planning helps identify these issues and prepare for them.
- The planning process allows each physician to communicate his or her vision of the future, and work to develop consensus in their objectives and goals.
- Key issues are highlighted, discussed and resolved.
- The plan provides direction to and sets priorities for the administrative staff for implementation.
- The planning process and completed plan improves communication to both physicians and staff.
- If progress is tracked against the plan, performance measurement can be improved.
- Physician recruitment may be enhanced as potential recruits can quickly understand if their long range goals are in line with the group.

Resistance to long-range planning is normally the result of at least one of the following factors:

- Physicians do not understand the importance or benefits of long-range planning.
- The physicians have no clear decision-making process to initiate planning.
- Planning has been tried, but the physicians are not convinced of its benefits.

In each of these instances, the medical group manager should communicate the need for and benefits from long-range planning and then work to implement a process to develop the plan.



What Is Strategic Planning?

All organizations, at one time or another, struggle with the following questions:

- Where are we going?
- How will we get there?
- Why do we want to do it as a group?

To answer these and other important questions, many medical groups are turning to a formal strategic planning process for their organization.

Strategic planning has been defined as *a process of developing an integrated, coordinated and consistent long-range plan of action for the organization*. The first step in the process is often to develop a mission statement for the group. This statement describes the group's purpose and reason for being.

The **mission statement** focuses on the “customer's” needs, and which needs the group attempts to satisfy. The statement should not end there, however. It should further identify what needs of the organization (the physicians, the staff) it also attempts to meet.

Mission statements are expressed at a high level of abstraction. They are used to express the group's operating philosophy, set the general direction for the group, and place boundaries around the planning effort.

The next step in the strategic planning process is to look at all forces outside of the group that could affect the group's functioning. This step is called *environmental analysis*, and its purpose is to identify opportunities and threats that the group faces.



The environmental analysis looks at three areas:

1. **External Constituent Demands:** An external constituent is a group or individual who is capable of taking action or has needs which could favorably or unfavorably impact the group. For example, a major external constituent for an anesthesiologist group might be the hospital it is associated with. It is very important for this type of a group to understand the actions that the hospital might take or the needs they have.
2. **Competitors:** Individuals or organizations who compete for the same set of "customers" as the group are identified and analyzed for major actions which might affect the group.
3. **Macro-environment:** The Macro-environment includes large scale fundamental forces that shape opportunities and pose threats of the group. The group should review significant economic, political, demographic, and technological events and trends and their impact on the group.

Once the major actions, events or trends are identified, they should be categorized as opportunities or threats.

Opportunities are any favorable situation in the group's environment that supports demand for a new service or permits the group to enhance its position. **Threats** are challenges posed by unfavorable trends or specific event in the environment which would lead, in the absence of purposeful action, to the stagnation, decline or demise of the group or one of its services.

The third major step in strategic planning is to look within to identify the **strengths** and **weaknesses** of the group. Significant areas of the practice (e.g., personnel, management, decision making) are reviewed to identify areas either capabilities that will lead to or limitations that will prevent the group reaching its objectives.

It is important to identify strengths so that they might be used in planning how to achieve objectives. Weaknesses, on the other hand, may point to the need for programs to correct them.

At this point the group has collected significant data about the group and its environment. Now it is time to put that information to use by **setting objectives**.



An objective is a description of some situation in the future that you would like to see come about, and which you have a reasonable expectation of accomplishing. Objectives should be developed when:

- Something is wrong (a weakness) and needs to be corrected;
- Something is threatening (a threat), and needs to be prevented;
- Something is inviting (an opportunity), and needs to be pursued.

Objectives should flow from the previous work you've done in developing a mission statement, identifying opportunities, threats, strengths and weaknesses, and from your vision of the future of the group.

The final step in developing a strategic plan is to develop and agree on **strategies** to be used to attain your objectives. Strategies are decisions and/or major action programs employed by the group to fulfill its mission.

For example, a group's objective might be to improve the level of accounts receivable collections to 95% by the end of the year. Its strategies could include:

- Implementing a new computer system.
- Reviewing billing and collection procedures for improvements.
- Adding staff in the collections area.

Once strategies are identified, the group can assign responsibilities and completion dates.

It is important that both the physicians and administrative staff understand that this is their plan and requires their input and participation. If your group has not developed such a plan, how does it know where it's going?



As you might expect, our knowledge in this area is based on the fact that Latham Consulting Group has provided **Strategic Planning Facilitation**



Services to many medical groups. If we can provide assistance or answer any questions you might have, please contact us at 704/365-8889.