

the EDGE

Sg2 Smart Growth Planning Workbook 1: Getting Started

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Overview

Health care markets change rapidly, are susceptible to recessions, and are influenced by both local and national trends, as evidenced by the recent passage of health care reform legislation and the proliferation of pilots and payment models. Being a good “hospital operator” is more important than ever, as the value era of health care challenges us to provide high-quality, cost-effective care to our patients and communities. While enhancing operational efficiency and focusing on cost reduction efforts are critical, they alone will not be enough to sustain success over the reform decade.

Successful organizations of the future will focus on identifying smart growth opportunities that capture market share and will build integrated, coordinated Systems of CARE (Clinical Alignment and Resource Effectiveness) for targeted patient types and diseases. Smart growth is defined as growth that is clinically appropriate, financially favorable and sustainable over time. Organizations that act decisively to identify and execute on smart growth opportunities, even in the face of uncertainty, will win the loyalty of health care decision makers and establish positions of competitive advantage.

The Approach

Smart Growth Planning is both a philosophy and methodology for reform-ready strategic planning, particularly service line planning. It provides organizations and systems with a framework for evaluating the current environment, forecasting future demand, assessing a particular service area and developing a strategic plan. The methodology provides users with a series of guided workbooks intended to streamline and standardize the service line strategic planning process.

“Every day, every meeting, every decision has to be clear.”

—Michael Porter
(on strategy)

The Output

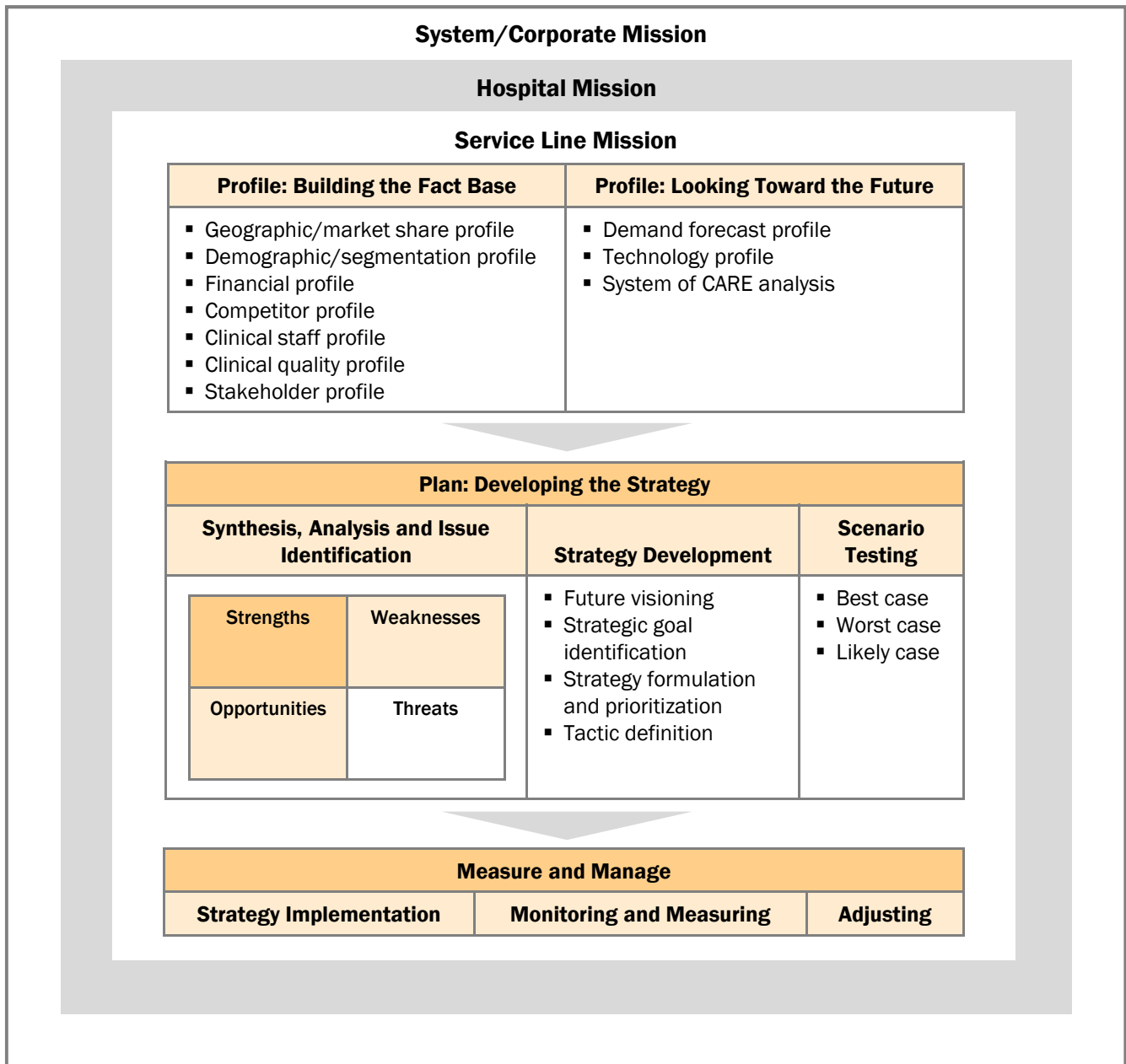
Service line strategic plans developed using the Sg2 Smart Growth Planning methodology and workbooks are specific, concise and actionable. The methodology enables alignment among key stakeholders and prioritizes projects and investments to support key objectives. Because of the collaborative, dynamic interactions that occur as part of plan development, buy-in is more easily achieved, ultimately impacting both plan implementation and long-term success of the strategic initiative.

Smart Growth Planning Framework

Smart Growth Planning is anchored in the need to focus on strategies that chart a path toward growth that is clinically appropriate, financially favorable and sustainable. As such, the Smart Growth Planning methodology blends both quantitative and qualitative analysis and aligns leaders to a common vision.

Smart Growth Planning consists of 3 specific phases:

- **Profile:** Building the fact base and looking toward the future
- **Plan:** Developing the strategy, ensuring the team finds focus, and setting goals
- **Measure and Manage:** Communicating, executing and monitoring performance of the plan



EDGE Growth Planning System: Smart Growth Planning Workbooks

The Smart Growth Planning workbook series was developed for individuals involved in the various aspects of service line strategic plan development, including service line administrators; clinicians or managers within the relevant service line/department; planning and business development directors, managers and data analysts. Depending on backgrounds and experience, some analytics will be familiar to users. In other cases, they may be new. Each of the workbooks is guided and offers specific examples of what the analytic is and how it is embedded into the planning process. Where appropriate, Sg2's perspectives have been added. Following the workbooks in their entirety will facilitate development of service line plans that have used a common methodology, a useful characteristic for facility or system-wide planning.

Smart Growth Planning Workbooks Overview

		Relevance
Profile: Building the Fact Base	Workbook 2: Knowing Your Market	<ul style="list-style-type: none"> ▪ This critical first step of defining your service area(s) and identifying key competitors facilitates future conversations regarding service placement, target communities and the impact of in-migration and out-migration. ▪ Understanding your current market can help shape your service line strategies, including goals related to market share growth.
	Workbook 3: Understanding Your Patients	<ul style="list-style-type: none"> ▪ A demographic profile will help you understand potential future direction and opportunities within your market. ▪ Reviewing population growth and considering shifts in age cohorts provide the foundation for further analyses and projections around growth opportunities. ▪ Patient type segmentation helps anchor planning efforts in a patient-centered approach, synthesize opportunities across service lines, identify opportunities for service/facility placement based on patient type needs, and distill final plans into a language and approach that can be internalized by all levels of employees within the organization.
	Workbook 4: Examining Profitability	<ul style="list-style-type: none"> ▪ Smart growth requires consideration of financial feasibility when evaluating and growing selected services. ▪ While some services continue despite less than positive financial results, it is increasingly difficult to justify growth that does not contribute to the organization's bottom line in an era of limited resources. ▪ Understanding current volumes, margin and payer mix helps paint a picture of the impact of growth in specific clinical areas or service lines and how these factors might contribute to the overall financial health of the organization.

Smart Growth Planning Workbooks (Cont'd)

		Relevance
Profile: Building the Fact Base (Cont'd)	Workbook 5: Differentiating for Success	<ul style="list-style-type: none"> True market differentiation can only occur after an analysis of the competitor landscape. Historically, hospital competition has been defined locally, but some hospitals are striving to compete regionally, nationally and even globally. Gaining consensus on your competitors and their program offerings, strengths and geographic presence, as well as an understanding of their future vision, is vital for building a service line strategic plan.
	Workbook 6: Assessing Your Clinical Workforce	<ul style="list-style-type: none"> Even if market factors suggest a strong growth opportunity, hospitals must consider their clinical staff profiles—physicians, nurses and other clinical workforce team members. Age and clinical area of focus impact available work hours and the ability to support program growth. As care shifts from inpatient to outpatient settings, clinicians may need to be relocated and retrained. Determining physician alignment and referral loyalty is both a qualitative and quantitative exercise that considers current financial relationship status, discharge volumes by physician compared to estimated or actual market totals, and the current status of relationships among various physicians/groups.
	Workbook 7: Synchronizing Value and Growth	<ul style="list-style-type: none"> Given the push to showcase clinical value to the marketplace, organizations are increasingly taking quality and clinical performance metrics into account in planning future strategy and investment. Understanding key quality and patient experience data and using Sg2's monthly metrics to measure clinical performance and smart growth provide a picture of the value offered to patients, payers and the community.
	Workbook 8: Gaining Stakeholder Buy-in	<ul style="list-style-type: none"> Interviews with key physicians, other clinicians and administrator stakeholders provide the planning team with insight into the current and future visions (and reservations) of the organization's leadership and key players. This workbook includes a guide to developing your own interview questions as well as samples recommended by Sg2.

Smart Growth Planning Workbooks (Cont'd)

		Relevance
Profile: Looking Toward the Future	Workbook 9: Understanding the Impact of Change®	<ul style="list-style-type: none"> ▪ Determining future utilization of both inpatient and outpatient volumes for service lines and diseases is essential for understanding which services should be developed and prioritized for investment in your market. ▪ This workbook includes instructions for leveraging the Sg2 Impact of Change tool in the service line planning process. Note the Impact of Change forecast can return results by CARE Family (disease), diagnosis-related group (inpatients), procedure type (outpatients), or patient type to assist in planning and budgeting needs.
	Workbook 10: Linking Technology With Strategy	<ul style="list-style-type: none"> ▪ Successful service line strategic plans incorporate a review of both current and planned technology investments, as capital is scarce and there are far more technologies than any one organization can purchase. ▪ Smart growth requires intentional alignment between specific strategic priorities and a technology adoption and implementation plan that will help achieve these goals. ▪ This workbook describes the Sg2 Technology Evaluation and Prioritization (STEP™) tool, as well as the technology road maps based on your organization's System of CARE profile.
	Workbook 11: Capturing Growth Across the System of CARE	<ul style="list-style-type: none"> ▪ Successful organizations will identify unique service offerings and prioritize focus and investment on services that represent smart growth opportunities. ▪ Increasingly, providers will look to build Systems of CARE—coordinated services that offer high-quality, cost-effective care spanning multiple sites with various care partners, some of which will be owned and others affiliated.
Plan: Developing the Strategy	Workbook 12: Developing the Plan	<ul style="list-style-type: none"> ▪ Using a System of CARE gap analysis, this workbook helps you to map care settings, partnership relationships and competencies that exist today. Upon review, organizations can identify necessary partners in the care continuum and consider partnership/performance criteria for selection.

Are there other analytics you typically include in your planning initiatives? If so, list them here and add them to this planning process.

Getting Started: Defining Strategy

There are almost as many definitions of strategy as there are planning professionals. In simple terms, strategy is the link between the mission of an organization or service line and the actions required to achieve the mission. At a more detailed level, strategy is the pattern of decisions, activities and investments that enable a service line to achieve a sustainable and defensible advantage over its competition.

Regardless of how you choose to define strategy, formulating and implementing a service line strategy will require you to address the following questions and issues:

- Who are we? What are we trying to accomplish? What is our long-term vision, and what do we want to be in the market?
- What is our current service line strategy? Overall hospital strategy? How does our service line plan fit into the overall hospital strategy?
- What are our growth, market share, clinical performance and profitability targets?
- Based on our demographics and patient types, what conditions are targeted for growth?
- What health care services and technologies will we offer? When? Where?
- Who are the key stakeholders that impact the success of the service line? What are their needs and priorities? What is the community asking us to provide? Are we really providing patient-centered care?
- Who are our actual competitors? What are their capabilities and strategies? How are they positioning their service lines in the market?
- How will we compete? How will we distinguish and differentiate our service line from those of our competitors?
- How will we align and integrate with our physicians to truly provide value in the marketplace?
- What are the investments, capabilities and competencies that we will need to successfully execute our strategies?
- How will we define and measure our success and the value we deliver?
- How will we ensure our plan is on track to successful implementation?

▶ **Exercise:** Review the questions listed above. Which questions are core to your current planning process? Which have you not typically focused on but think you might want to address in this year's planning efforts? What additional questions will your planning efforts focus on that aren't listed above? Summarize your notes on top goals/questions to answer in the space below.

Getting Started: Assembling the Team

Clinical operations is a frequently overlooked component of strategy. There is a tendency for strategic planning departments to focus more on the services offered and the customers or markets served than on improving clinical quality, operational efficiency or financial return. A successful strategy balances the implications of external opportunities and threats with an objective assessment of internal strengths and weaknesses. That's why organizations are increasingly looking to multidisciplinary teams of planners and operators to work together in crafting the service line strategic plan.

▶ **Exercise:** Take a moment to consider the full range of team members from your organization who could contribute to the planning process at hand. For a list of team members and roles Sg2 often encounters while working with clients, see the next page.

Planning Project Executive Sponsor: _____

Planning Project Manager/Champion: _____

Planning Team: _____

Key Stakeholders to Interview/Involve in Planning: _____

Support Team (those who can supply needed information, reports, data, etc): _____

Others (people who have completed similar planning projects who could be tapped for advice and expertise about the process, deliverables, common pitfalls, recommended best practices, etc):

Getting Started: Assembling the Team (Cont'd)

It takes a village to create an actionable strategic plan. While building a core team to run the process is essential, the involvement of a broad set of stakeholders that range from the CEO to your patients is critically important. Your perceptions of what is valued in the market and how you can optimally differentiate your service need to be validated from all angles.

	Roles and Responsibilities
Project Champion (ie, Service Line Administrator)	<ul style="list-style-type: none"> ▪ Responsible for meeting core project deadlines ▪ Needs to have the energy and vision to motivate others to participate in developing a service line-specific strategic plan ▪ Needs to be a strategic challenger and push the group to develop a differentiated health care product in their market
Service Line Planning Team (ie, Other Managers or Directors Working in the Service Line)	<ul style="list-style-type: none"> ▪ Responsible for gathering the quantitative and qualitative data that will become the foundation for the developed strategy ▪ Need to be comfortable interviewing key stakeholders within the organization ▪ Need to be analytical in nature and skilled at using Microsoft Excel ▪ Should be multidisciplinary in nature with an understanding of operations, clinical services, customer satisfaction, etc
Finance/Planning Decision Support	<ul style="list-style-type: none"> ▪ Typically provides specific financial and volume projection data that will drive development of the financial profile and demand forecast
Clinical Staff (ie, Physician Leadership, Staff Physicians, Referring Physicians, Nursing and Ancillary Clinical Staff)	<ul style="list-style-type: none"> ▪ Participate in multiple aspects of the planning project, including but not limited to initial interviews, technology profiling, strategy development discussions and draft plan review <ul style="list-style-type: none"> ▪ Strong participation by a range of clinical stakeholders and operators ensures that the plan developed has a chance of actually being implemented.
Patients and Families	<ul style="list-style-type: none"> ▪ Responsible for keeping planning teams grounded as to why they are in health care in the first place <ul style="list-style-type: none"> ▪ Using family and patient focus groups is a direct way to identify unmet needs.
Organizational Leadership/Executive Sponsors	<ul style="list-style-type: none"> ▪ Provide the broader organizational perspective <ul style="list-style-type: none"> ▪ While senior leadership will ultimately review and support the service line strategic plan, keeping lines of communication open throughout the planning process is essential to ensure no “surprises” at the end and may help remove roadblocks encountered along the way.

► **Exercise:** Review the team grid above and your answers from the previous page. Are there key groups for which you cannot identify participants? If so, discuss and resolve these issues before kicking off the service line planning process.

Getting Started: Avoiding Common Mistakes in Strategic Planning

Common mistakes occur as part of the strategic planning process. Most often, missteps stem from balancing the tension between having a structured planning process and ensuring a thought-provoking plan that is truly future focused and flexible enough to accommodate unforeseen changes over time. The ultimate goal is a planning process with both structure and flexibility. Far too often, planning teams allow the process to overtake them and lose sight of why they embarked on the project in the first place.

Common Mistakes in Strategic Planning

- The staff took over the process.
 - CEOs created new staff components to deal with a new function; staff moved in to fill a vacuum.
 - Arrogance and empire building ensued.
 - Planners often cut executives out of strategy development, turning them into rubber stamps.
- The process dominated the staff.
 - Methodologies became increasingly elaborate.
 - Staff placed too much emphasis on data collection, too little on true analysis and strategic insights.
 - Strategic thinking became equated with strategic planning.
- Planning systems had design flaws so that they produced few results.
 - Those responsible for executing the strategic plan were not involved in development so the plan lacked buy-in.
 - The strategic planning process/system was not integrated with the operations and budgeting system, resulting in a strategy that did not drive action.
- Planning focused on an exciting game of mergers, acquisitions and divestitures at the expense of core business development.
- Planning systems failed to develop true strategic choices.
 - Planners and executives rushed to adopt the first strategy that “satisfied.”
- Planning neglected the organizational and cultural requirements of strategy.
 - Process focused on the external environment at the expense of the internal environment, which is critical in the implementation phase.
- Single-point forecasting was an inappropriate basis for planning in an era of restructuring and uncertainty.
 - Scenario-based planning was the exception rather than the rule.
 - Plans that relied on single-point forecasting suffered increased vulnerability to surprises.
 - There was an inherent bias in favor of continuing a “momentum strategy.”

▶ **Exercise:** Consider how you will avoid these kinds of mistakes in your current planning project.

Sources: Adapted from Wilson I. *Long Range Planning* 1994;27:12-24; Mintzberg H et al. *Strategy Safari: A Guided Tour Through the Wilds of Strategic Management*. Free Press: 1998.

Getting Started: Understanding the Mission Statement

The Sg2 Smart Growth Planning methodology sits within a frame of the health system, hospital/facility and service line mission statements. (See page 2.) This ensures the resulting service line strategic plan is aligned with overall organizational goals and direction. Your mission statement should be a clear and succinct explanation of the service line's purpose. It should be an extension of the hospital's (and, if appropriate, health system's) overall mission but with meaningful and measurable criteria that are specific to the identified service line. An effective mission statement should provide guidance when a strategic decision needs to be made. The intent of the mission statement should be the first consideration for any employee who is evaluating a strategic decision.

Considerations for a Meaningful Mission Statement

- Informative and specific
- Short enough to say with one breath (Note: easier said than done)
- Shared and understood by everyone in the organization so they can easily communicate it to others
- Should include the perspectives of the service line key stakeholders: patients, clinicians, community, suppliers and employees
- Inspirational, yet realistic in scope

Examples

Mayo Clinic Cancer Mission:

"Mayo Clinic Cancer Center is dedicated to understanding the biology of cancer; discovering new ways to predict, prevent, diagnose and treat cancer; and transforming the quality of life for cancer patients today and in the future"

Columbus Regional Hospital (IN) Mission:

"Improve the health and well-being of the people we serve"

Ascension Health (Saint Louis, MO) Mission:

"Rooted in the loving ministry of Jesus as healer, we commit ourselves to serving all persons with special attention to those who are poor and vulnerable. Our Catholic health ministry is dedicated to spiritually centered, holistic care, which sustains and improves the health of individuals and communities. We are advocates for a compassionate and just society through our actions and our words."

Sources: Cancer Center at Mayo Clinic Web site. <http://mayoresearch.mayo.edu/mayo/research/cancercenter/overview.cfm>; Ascension Health Web site. www.ascensionhealth.org/index.php?option=com_content&view=article&id=41&Itemid=147; Columbus Regional Hospital Web site. www.crh.org/about-us/default.aspx. All Web sites accessed February 2011.

Getting Started: Defining Organization and Service Line Mission

► **Exercise:** Answer the following questions related to your organization/service line mission.

Describe the mission (and vision/values if available) of your organization.

How will this mission (and vision/values) impact how you think about service line planning?

Is your organization currently working with a system-/facility-level 5-year strategic plan? If so, be sure to obtain a copy. Describe aspects of this plan that will directly impact service line planning.

Review your service line/departmental mission. Does it need to be updated to more closely align with organizational mission/goals? Make notes below and, if further review is required, do this during a preplanning retreat. Having a grounding in and buy-in for the mission is an important part of the process.

What is the time horizon for your service line-specific planning project? Is this consistent with other service line-level plans that are concurrently being developed yet appropriate for the needs of your service line?

Are there anchors besides the organizational mission that should be considered in your service line planning efforts? If so, list them below.

Getting Started: Defining Service Lines

Service line definitions vary dramatically between organizations and sometimes within organizations.

▶ **Exercise:** Take a moment before beginning the planning process to review which DRGs and outpatient CPT® codes encompass the majority of clinical offerings in the service line you will be planning for. Agreement on these definitions up-front helps eliminate confusion during the Profile and Plan phases.

Service Line: _____

Common ICD-9 Codes	Common Inpatient DRGs	Common Outpatient CPT Codes
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_____	_____	_____
_____	_____	_____
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_____	_____	_____

Is the entire organization in agreement with these groupings? Note any discrepancies below.

Do these definitions match current organizational service line definitions or are you redefining?
How will you communicate any changes?

CPT is a registered trademark of the American Medical Association.
CPT = Current Procedural Terminology; ICD = International Classification of Diseases.
Note: Sg2 typically incorporates proprietary service line definitions in the Impact of Change localized forecast. To compare your current definitions to the Sg2 groupings, see the Resources section in the Impact of Change Online Tool tab at www.members.sg2.com.

Getting Started: Framing an Initial Strategy

What type of provider should you be to compete in your market? With the days of differentiation based on technology alone behind us and the increasing focus on value, many organizations are determining their focus by defining the balance of the following 3 categories:

Destination: High-Tech	Value Offering: Access, Efficiency and Quality	Customized Care: High-Touch
Significant capital investments in technology and clinical expertise that attract tertiary and quaternary referrals	Focus on achieving high-quality outcomes through standardization, efficient work flow processes and access	Significant focus on coordinated care, superior comfort and service, and pleasing aesthetics

Destination: High-Tech

- **Pros:** still noted as desirable by some patients, particularly in certain service lines; cutting-edge care concept attractive to physicians; halo effect; potential for tertiary and quaternary referrals; high entry barriers due to capital requirements
- **Cons:** significant up-front costs; competitors can imitate; threat of displacement by later technology; contingent on physician relationships; no longer a sustainable competitive advantage on its own

Value Offering: Access, Efficiency and Quality

- **Pros:** focal point for payers and patients when selecting providers; increasing transparency and financial implications of quality results make this a priority; those skilled at Lean/Six Sigma and with strong physician relations will have an advantage
- **Cons:** differentiation becomes increasingly more difficult when quality is the “tide that raises all boats”; may require significant investment in clinical leadership

Customized Care: High-Touch

- **Pros:** customer retention, referrals and anticipated increases in patient satisfaction scores; coordination of care breeds loyalty; growth of detection, disease management and remote monitoring favors high-touch offerings
- **Cons:** significant up-front investment in personnel, facilities and information technology; contingent on frontline clinicians and support staff embracing a new approach/culture, which requires higher levels of local management

▶ **Exercise:** How does your group weight the 3 categories above? Using the rectangle below add 2 lines to create 3 sections, one for each of the categories above. Are they equally weighted/sized or will you focus more on one of the categories?

Getting Started: Developing a Work Plan

Work plans are essential for managing planning projects efficiently. A service line planning project can typically span 4 to 6 months, depending on the scope of the project and the resources available for project execution. Strategic planning is not a linear process. Many of the activities required for building the fact base can occur concurrently, streamlining the process and shortening the time required to develop the plan.

Sg2 Sample

A Community Hospital's 4-Month Work Plan for a Cardiovascular Services Strategic Plan

	Month 1				Month 2				Month 3				Month 4			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Project Kickoff		■														
Initial Data Collection		■	■	■	■											
Geographic/Market Share Profile				■	■	■										
Demographic/Segmentation Profile				■	■	■										
Financial Profile				■	■	■										
Competitor Profile				■	■	■										
Clinical Staff Profile			■	■	■	■										
Clinical Quality Profile				■	■	■										
Stakeholder Profile						■	■	■								
Demand Forecast Profile						■	■	■								
Technology Profile			■	■	■	■	■	■	■							
System of CARE Analysis								■	■	■	■					
Synthesis and Finding Focus								■	■	■	■					
Development of Final Report												■	■			
Draft Presentation /Feedback															■	
Board Retreat/Final Report-out																■

Getting Started: Developing a Work Plan (Cont'd)

► **Exercise:** Use the template below to build your own work plan.

	Month 1				Month 2				Month 3				Month 4				Month 5				Month 6			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Project Kickoff																								
Initial Data Collection																								
Geographic/Market Share Profile																								
Demographic/Segmentation Profile																								
Financial Profile																								
Competitor Profile																								
Clinical Staff Profile																								
Clinical Quality Profile																								
Stakeholder Profile																								
Demand Forecast Profile																								
Technology Profile																								
System of CARE Analysis																								
Synthesis and Finding Focus																								
Development of Final Report																								
Draft Presentation/Feedback																								
Board Retreat/Final Report-out																								

Getting Started: The Journey Ahead

As you embark on the planning process, encourage your team to discuss these key issues regarding strategy. As in many aspects of the health care business, there are many shades of gray and rarely are issues clear cut. Involving your team in an open-ended discussion about some of the most challenging issues faced today will be a meaningful way to engage them in the process right from the beginning. Keep in mind that there are no right answers to these questions.

Questions to Discuss

- How does reform impact your strategy?
- Is the economy/unemployment a factor in your market?
- How do you choose your strategy?
- Does mission enable or hinder strategy?
- How do you balance innovation and evidence (for example, in technology adoption)?
- How do you define your secondary market (local vs statewide vs national)?
- How do you stay focused?
- How does failure impact strategy?
- Do you reprioritize or decide to minimize investments in programs that aren't meeting expectations or are you trying to be all things to all people?
- How do you involve key stakeholders in the planning process?
- What roadblocks have gotten in the way of successful plan implementation in the past?
- How do you communicate the strategic plan and to whom?

Key takeaway points from your team discussion:

Sg2 Perspective: Next Steps

While the importance of day-to-day operational efficiency cannot be ignored, you must consider a longer-term horizon for strategic planning. When reviewing your plan ask yourself, “How will this grow our service offerings and allow us to be the market leader in this area over the next 5 to 10 years?”

Now that you have completed workbook 1, move onto the Profile phase (workbooks 2 through 11). Completing the workbooks in the order outlined on pages 2 to 5 is recommended, but depending on data accessibility, stakeholder availability and historical planning processes, you may decide to follow a slightly different order. Keep in mind that there will be opportunities to leverage your organizational and service line data along multiple exercises throughout the planning process.

Anticipate the Impact of Change

Sg2's analytics-based health care expertise helps hospitals and health systems integrate, prioritize and drive growth and performance across the continuum of care. Over 1,200 organizations around the world rely on Sg2's analytics, intelligence, consulting and educational services.

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