



**NEXT-GENERATION  
STRATEGIC PLANNING**

New Challenges,  
New Approaches

As health care transformation continues, the strategic planning function is undergoing a significant conversion of its own.

# FORGE A STRUCTURE THAT BALANCES LOCAL INSIGHT AND CORPORATE OVERSIGHT

Faced with an industry in flux, provider system leaders today are reexamining their competitive positions and approach to strategic planning. Some of the trends producing the biggest impact on planning functions include cost-containment concerns and consumerism. But perhaps the biggest impact has been merger and acquisition (M&A) activity, which led to many organizations adopting a more centralized approach to help combined entities align under a common mission and set of processes. Over time, as the newly formed systems mature, as a common culture evolves, and as leaders align local and corporate goals, the process may become more decentralized.

To guide decisions on degree of centralization, leaders should ask themselves, “What’s more important today?”

|               | PROS   | CONS  |
|---------------|--|---|
| DECENTRALIZED | <ul style="list-style-type: none"> <li>• Optimizes local market knowledge/conditions</li> <li>• Conveys less overt corporate control</li> </ul>  | <ul style="list-style-type: none"> <li>• Lacks coordination and ability to test (then rapidly diffuse) strategy</li> <li>• Leads to inefficient use of capital</li> </ul>                 |
| HYBRID        | <ul style="list-style-type: none"> <li>• Balances centralized and local decision making</li> <li>• Serves as a sound starting point at the outset of integration efforts</li> </ul>                                      | <ul style="list-style-type: none"> <li>• Requires clear rules of engagement and clearly defined roles to guard against team confusion</li> </ul>  |
| CENTRALIZED   | <ul style="list-style-type: none"> <li>• Leverages scale and promotes efficiency</li> <li>• Tees up an organized, often templated, approach</li> <li>• Enables more rational, systematic capital expenditures</li> </ul> | <ul style="list-style-type: none"> <li>• Involves a difficult transition, especially in the wake of a merger or an acquisition</li> <li>• Risks loss of local market knowledge</li> </ul> |

### Reasons to Lean Toward DECENTRALIZED

- Local stakeholder participation/buy-in is paramount.
- Far-flung geographies and/or unique competitors make local leaders' knowledge of the market essential.
- The corporate planning team is small and unlikely to grow, even with acquisitions.
- The organization enjoys a pervasive culture of accountability.
- Mature service lines boast leaders empowered and encouraged to think strategically.
- A newly formed system functions more as a federation.
- Encouraging new ideas and rapidly testing them in local markets support growth goals.
- The organization's vision is well established and embraced.
- Planning expertise exists enterprise-wide.

### Reasons to Lean Toward CENTRALIZED

- Standardization to achieve alignment with system goals is a high priority.
- Structure—including common language, analysis and metrics—is needed to prioritize efforts.
- Willingness is exhibited to invest in and staff a planning team to manage both corporate and local business unit planning.
- Implementation expertise exists in pockets, such as a project management office (PMO).
- Service line leaders are more operational than strategic.
- A newly formed system is committed to establishing a common culture and/or brand.
- The shift to value will require thoughtful distribution of services.
- A fresh organizational vision (often prompted by a new leader) shifts priorities.
- Planning talent to support local leaders is scarce.

## Signs an Organization Has Teetered Too Far From Center

As organizations evolve and leadership changes, what once worked well may not be the most effective model moving forward. How do organizations know when they've gone too far one way or the other?

### HEARD IN THE HALLWAYS

"We're building a TAVR program," says one local market leader. "We are too," says the leader of an adjacent market.



### CONSIDER

#### More centralization:

Review templates (eg, is there a clear justification section?) and ensure a senior leader council is in place to help vet and prioritize proposals before they are rolled into the master/system strategic plan.

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"The newest member of our system keeps making off-cycle requests for capital, staffing and marketing support. What gives?"



#### Less centralization:

If the historic process is well entrenched, it may unwittingly squash stakeholder feedback, resulting in efficient yet incomplete plans. Consider more involvement (eg, brainstorming sessions, collaboration on planning templates) from stakeholders.

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"We put all this work into detailed plans, and then we just can't seem to get the attention of our colleagues in operations when implementation lags."



#### More centralization:

Several leading organizations are leveraging a PMO to oversee execution of strategic plans.

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"Our primary care strategy was very focused on growing our employed medical group footprint. We were surprised to find retail clinics in one of our markets were stealing significant volumes."



#### Less centralization:

A centrally driven service line planning process coupled with a growth council lacking participation from local market leaders risks overlooking a new market entrant and not recognizing a budding issue in time to adjust.

TAVR = transcatheter aortic valve replacement.

For a detailed look at this topic, see the full report, *Next-Generation Strategic Planning: New Challenges, New Approaches*. For customized assistance, contact your Sg2 service team at 847.779.5300.



### **Anticipate the Impact of Change**

Sg2, a Vizient company, is the health care industry's premier authority on health care trends, insights and market analytics.

Our analytics and expertise help hospitals and health systems achieve sustainable growth and ensure ongoing market relevance through the development of an effective System of CARE.