

MANAGERIAL PLANNING

“By failing to prepare, you are preparing to fail.”
—Benjamin Franklin

Chapter Objectives

After you have studied this chapter, you should be able to do the following:

1. Describe the planning function and its importance as a primary management tool.
2. Discuss the need for and extent of forecasting, which provides the background for managerial planning.
3. Distinguish between strategy and planning.
4. Discuss the various planning steps.
5. Relate goals and objectives to organizational planning.
6. Describe how management by objectives can be used to implement plans.

Planning is the most important managerial function. It is the process of deciding in advance what is to be done in the future. Logically, planning must come before any of the other functions because it determines the framework in which and the path that will be taken to achieve the other management functions—organizing, staffing, influencing, and controlling—are carried out. Today’s healthcare activities operate in an environment that is always changing in ways institutions can neither control nor predict precisely. This environment increases the need for planning. The only way healthcare organizations can survive is to forecast the future, plan rationally, and prepare for change. Although many plans are not carried out exactly as anticipated because of changing circumstances, experience has shown that institutions that plan tend to be more successful than those that do not plan.

In planning, management is concerned with collecting the right data, formulating a strategy, establishing the objectives to be achieved, and determining how to achieve them. BusinessDictionary (2020b) defines **strategy** as “A method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem.” **Objectives** are critical success factors or

strategy

A method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem.

objectives

Critical success factors or key performance indicators.

key performance indicators. Critical success factors may include a statement such as “Increasing patient satisfaction by 5 percent, reducing employee turnover by 8 percent, improving patient outcomes measures by 5 percent, and successfully recruiting two new interventionalists.” Strong employee engagement depends on a clearly articulated strategic vision that allows employees to focus on the most important tasks and to feel connected to a higher purpose (Pietersen 2019).

Foundational information is required to achieve clarity in the strategy and its concomitant goals. When planning information is assembled, the external and internal environments are studied, competitors are identified, planning premises are set out, estimated resources are defined, and decisions to reach organizational goals are made. During these planning sessions, leadership recognizes that resources are not unlimited and will be making tough choices between what to fund and what to eliminate. This means that some existing programs or functions will be replaced with new ones.

Some healthcare organizations have specialists such as management engineers, project managers, and business intelligence analysts serving as members of their planning staff. A **management engineer** uses data and analytics to improve processes. A **project manager** has overall responsibility for the planning and execution of a particular project. Project managers are skilled at planning the details or implementing a new program. For example, an organization may consider placing some non-patient care departments at a satellite location. The management engineer or project manager may lead the planning effort to facilitate the relocation and build communication processes to ensure that the information that is needed by these departments continues to flow to them in a fashion that is transparent to the relocated functions. Six Sigma principles, which will be explained in chapter 15, are closely related with a project management approach and may be used by either a management engineer or a project manager to streamline or overhaul a process.

When an organization has many initiatives occurring simultaneously, a *project management professional* (PMP) provides the skills and organization to keep each project on track and helps make all participants aware of their assignments, the project's goals, and the organization's achievements. The PMP draws up a plan for a project, assembles the team (often from more than one functional area), decides how to allocate resources, schedules the work, watches the budget, solves problems, and handles a number of other details. The position carries a large responsibility, even when the project is modest in scope (Harvard Business Review 2014). The PMP shepherds participants through four phases of the project (Harvard Business Review 2014, 6–7):

1. *Planning*: The problem is defined, the stakeholders are identified, goals are established, and resources needed to meet the goals are projected.

Goals are set according to the acronym **SMART**: They should be

management engineer

An individual who uses data and analytics to improve processes.

project manager

An individual who has overall responsibility for the planning and execution of a particular project.

SMART

An acronym to help with the defining of goals. It stands for *specific, measurable, action oriented, realistic, and time limited* (or, alternatively, *specific, measurable, attainable, result oriented, and time limited*).

specific, measurable, action oriented, realistic, and time limited (or specific, measurable, attainable, result oriented, and time limited).

2. *Buildup*: The team is assembled, tasks are delineated, the schedule is developed, and the budget is confirmed. The initial kickoff meeting occurs during this phase. Ensuring that team members have the required skills and experience and work well in groups is vital.
3. *Implementation*: The project is in process during this phase. Team members are accomplishing their assigned tasks, meetings are being held, regular reports are issued to stakeholders, and the schedule and budget are being monitored. Unexpected issues (e.g., a team member leaves, a vendor delays delivery) are arising.
4. *Closeout*: The project is complete. Handoff to the responsible party occurs during this phase, and lessons are documented in a final report.

The PMP coordinates the entire project and in doing so is responsible for ensuring that the scope of the project is completed within the defined budget and schedule. Supervisors will find that additional education in the concepts of project management will benefit them in a variety of ways. They will be more effective when conducting meetings, preparing budgets, developing goals for themselves and subordinates, and managing departmental and interdepartmental process improvement activities.

Both management engineering and project management skills are integral to a function known as **business intelligence**. Business intelligence has been facilitated by the adoption of electronic health records (EHRs) whereby data captured through the EHR can be transformed into usable information that can be utilized by end-users. The actual massaging of this data is what is known as *business analytics*. According to Thomas Davenport (2014) describes the following three categories of business analytics: descriptive, predictive, and prescriptive. *Descriptive analytics* “involves gathering, organizing, tabulating and depicting data and then using it to describe the situation. We may know this as reporting,” Davenport (2014) explains. *Predictive analytics* uses data from the past to predict the future. *Prescriptive analytics* “suggest a course of action, similar to a prescription from a physician” (Davenport 2014).

Business analytics is a comprehensive industry term that applies to data analytics. When the data are effectively massaged using statistical modeling techniques, such as regression analysis, the relationships between variables can be crystalized to “help healthcare managers take advantage of the explosion in data to extract insights for making better informed decisions” (Raghupathi and Raghupathi 2014). Davenport (2014) further encourages managers to first understand “what they want the data to do for them. Do you want it to describe a problem, predict what’s likely to happen, or tell you what to do?” When the manager’s data needs are understood, the team working in business intelligence can apply the appropriate business analyses to derive the

business intelligence
The use of information to improve business decisions.

business intelligence analyst

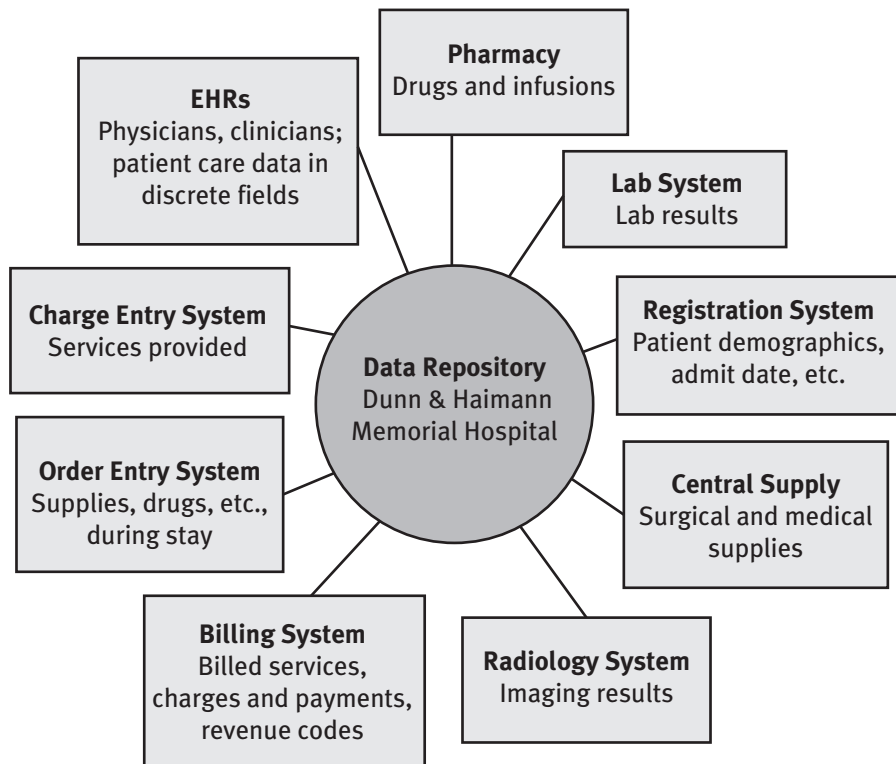
An individual who collects data through various approaches, including data mining an organization's electronic systems; monitors and compares the organization's data with competitors and industry trends; and displays the data in a meaningful presentation for leadership to understand.

information needed. It has become common to see a **business intelligence analyst** in a business intelligence department.

Business intelligence has evolved since the mid-twentieth century. Back in 1958, Hans Peter Luhn defined *business intelligence* as “the ability to apprehend the interrelationships of presented facts in such a way as to guide action towards a desired goal” (Grimes 2008). About 40 years later, in 1989, Howard Dresner proposed *business intelligence* as an umbrella term to describe “concepts and methods to improve business decision making by using fact-based support systems” (Power 2007). Over the next 30-plus years, the term *business intelligence* gained wider use over *decision support* so that today, many organizations have business intelligence departments that massage the data that are captured from various applications and systems into a data repository. Exhibit 8.1 provides an idea of the breadth of data that may be captured in a data repository. The data repository is tapped by business intelligence analysts and management for many reasons, including to populate dashboards, identify priorities, understand the frequency of events, and reflect historical experience that will be used for making decisions, evaluating the success of a project, and planning future initiatives.

EXHIBIT 8.1

Data Repository Contributory Systems



Note: EHR = electronic health record.

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It is important to recognize the subtle difference between strategy and planning. Pietersen (2019) offers the following clarification: “Strategy is about doing the right things. It is about insights, ideas, and an external perspective. Planning is about doing things right. It is about numbers and logistics and is internally focused. Strategy comes first and planning follows. Think about running a railroad. Strategy determines where to lay the railroad tracks. Planning lays the tracks, places the right trains on the right tracks, and makes the trains run on time.” The decisions made in the strategy planning process provide the departments (operational units) of the organization with their objectives and with the expectations (standards or metrics) against which performance is measured.

Thus, when managers plan a course of action, they attempt to ensure a consistent and coordinated operation aimed at achieving the desired results. Without plans, however, random activities will prevail, resulting in confusion and possibly even chaos. The plan serves as the road map for managers to follow as they chart their path to the goal.

The Nature of Planning

Just as an organization’s leadership must plan for the future of the organization, department managers must each plan for the proper functioning of their department. How can a manager properly and effectively organize the workings of the department without having a plan in mind? How can the department head effectively staff and supervise the employees without knowing the objectives for the department and the policies, procedures, and methods to follow? None of these functions could be performed without planning. No substitute exists for the hard thinking that planning demands. Therefore, only after having made the plans can the manager organize, staff, influence, and control.

However, planning does not end abruptly when the manager begins to perform the other functions. It should not be a process used only at occasional intervals or when the manager is not engrossed in daily tasks. Rather, planning is a continuous process. With day-to-day planning, the supervisor realistically anticipates future problems, analyzes them, determines their probable effect on activities, and chooses the actions that will lead to the desired results for the unit and for the organization.

Planning is the job of every manager, whether chair of the board, clinic administrator, operating room director, or materials management supervisor. By definition, all of these people are managers, and therefore all of them must plan. The importance and magnitude of the plans depend on the level at which plans are determined. Planning at the top level of administration is more strategic and further reaching than at the supervisory levels of management, where the scope and extent of planning become narrower and more detailed.

Thus, the administrator is concerned with the overall aspects of planning for the entire healthcare organization, such as constructing new facilities, adding new services, aligning with other organizations, and enlarging outpatient services. While the chief information officer's long-range planning may include setting objectives for converting to a new EHR system, the information systems supervisor, who is knowledgeable about this plan, defines priorities (e.g., which departments need to be involved in the design, testing, and implementation, what equipment is needed), writes new procedures, and determines activities to fulfill these objectives. A supervisor is more concerned with departmental plans for getting the job done promptly and effectively each day—or, as some say, “operationalizing” the plan or “making it happen”—while the administrator or senior-level executive is envisioning it or determining what “it” will look like in the future.

Although planning is the manager's function, others should be called on for advice. Some healthcare institutions have full-time employees known as “planners” or project managers, usually in staff positions. Often, these individuals work in a business intelligence function where they have access to and have compiled a competitive intelligence database about the organization and comparative facilities.¹ Whereas planners typically help the CEO and others of the administrative team in their forecasting efforts, long-term strategy, and planning decisions, project managers often are in implementation roles and may assist the administrative team as well as department managers. If we think about our relocation of certain departments discussed earlier, there may be a project manager working with the facilities team to prepare the office areas and coordinate with the painters, carpet layers, telephone and data line installers, and furniture delivery and setup workers. However, for a change within a department, such as moving evening staff to day shift, most supervisors are not likely to need such project managers' help. However, at times a manager may require special knowledge during the planning process—for example, from human resources (scheduling as a result of nursing shortages), plant operations (installing new cubicles), accounting (providing procedures to record the lease of an automated medication-dispensing machine), or other professional and technical aspects. In such instances, the supervisor must feel free to call on specialists within and outside the organization to help with the planning.

disruption

The action of preventing something, especially a system, process, or event, from continuing as usual or as expected.

Forecasting Trends

Although the future is fraught with uncertainties and many an industry **disruption** (Cambridge Dictionary 2020), managers must make certain assumptions about it to be able to plan. These assumptions are based on forecasts that provide information essential to the planning process. Forecasting is done by

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scanning the external and internal environments for useful information. Because the appraisal of future prospects is inherent in all planning, the success of an enterprise greatly depends on the skill of management, first in forecasting and second in preparing for future conditions.

Management typically confines its forecasting effort to factors that experience suggests are important to its own planning. Thus, chief administrators of healthcare systems select those forecasts that have a direct material bearing on the healthcare field in the regions the systems serve.

In trying to make predictions, administrators consider the general economic, political, labor, technological, social, and competitive climates in which the healthcare institution must operate during the next few years. This information comes from reviewing forecasts on government policies, legislation and regulation, government spending, merger and consolidation activities, high-tech manufacturer reports, clinician input, and insurer penetration to determine how these factors might ultimately affect the activities of healthcare providers. For example, as reported by the Centers for Medicare & Medicaid Services (CMS 2020d), the Medicare Trustees Report has projected that Medicare's Hospital Insurance Fund will run dry in 2026. Executives from all healthcare provider types may consider this projection an omen for their organizations to identify more efficient options for caring for the elderly patients they serve, while others may choose a strategy of opting out of serving Medicare recipients.

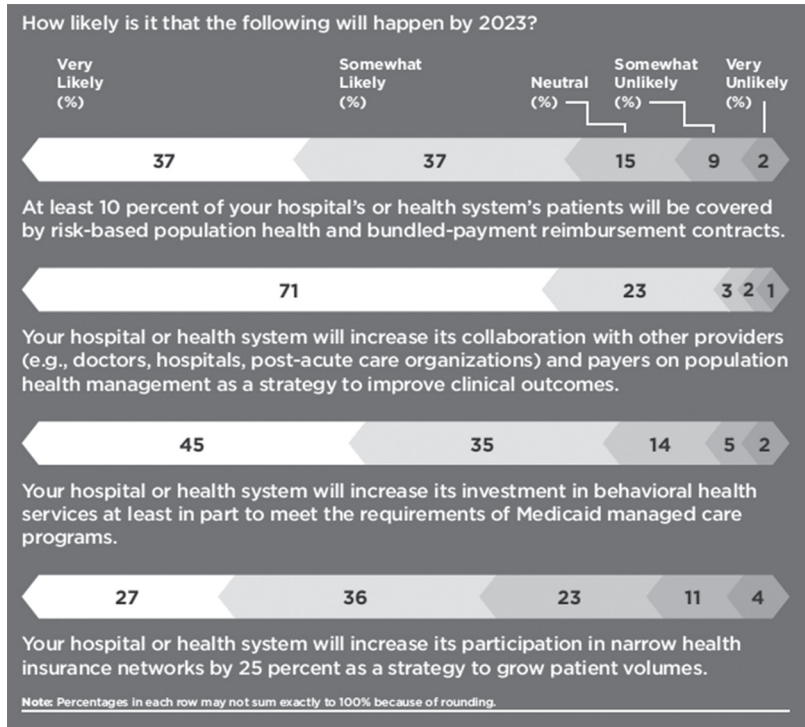
Top-level executives do not typically perform the research and statistical analysis of business analytics for all their forecasts. They frequently use information created from the data within their own entity's or system's repository; published in government and trade publications; or made available by hospital or healthcare associations (see exhibit 8.2), healthcare system research staffs, and other experts in various fields. Executives then try to predict the general trends for the delivery of healthcare within the region as they affect the various providers and users in relation to cost-effectiveness and other considerations.

Often data provided through healthcare organizations or systems will offer a dimension of comparability that will allow organizations to compare their performance to that of others that are similar in scope or service. This activity is known as **benchmarking** and allows an organization to identify the best performers within its peer organizations and learn from their better practices. In exhibit 8.3, the patient financial services and finance managers at the fictitious Dunn & Haimann Memorial Hospital Northeast (NE), Northwest (NW), and Southwest (SW) locations should be connecting with their peers at Southeast (SE) and Central to learn what they are doing to keep the **unbilled account** numbers at a minimum. Accounts may be unbilled for a number of reasons, including issues with coding, awaiting charges from the service area, or discrepancies in the demographic or billing data.

benchmarking
Establishing goals by comparing performance to others.

unbilled account
The account of a patient who has received services and been discharged that has not yet been billed to the insurer.

EXHIBIT 8.2
How Likely Is It That the Following Will Happen by 2023?



Source: Leavitt (2018). Reprinted with permission of the Society for Healthcare Strategy & Market Development of the American Hospital Association.

Administrators can use census and other federal and foundation data to enhance the projections being made for the region served. Let’s assume our facility is located in Kentucky and we have concerns about an increasing charity load. If we look at US Census data for 2017–2018, we’ll see that the number of uninsured has risen by 12,000 from 235,000 to 248,000. The rate at which

EXHIBIT 8.3
Health System Benchmarking

Performance Factor	Dunn & Haimann Healthcare System				D&H Hospital Central
	D&H Hospital NE	D&H Hospital SE	D&H Hospital NW	D&H Hospital SW	
Average daily revenue	\$1,383,771	\$2,264,719	\$960,469	\$1,054,496	\$2,325,319
Unbilled	\$12,363,604	\$14,479,824	\$7,746,787	\$8,675,169	\$7,920,876
Days in A/R	8.93	6.48	8.07	8.23	3.40

Note: A/R = accounts receivable.

these demographic changes are occurring in a healthcare organization's region tells the organization's leaders which services the facility should be planning and offering, such as neighborhood clinics; the specialists who should be recruited, such as nurse practitioners (NPs); and even the diversity of employees who should be hired in years to come. The leadership may decide to establish a mobile health van service staffed with NPs, institute a process to apply for state insurance benefits for qualified individuals, create an educational program to allow residents to gain employment, and provide meals on a scheduled basis for the residents of the region. As these programs are actualized, the healthcare organization is serving as a **disruptor**—that is, an organization that changes the traditional way an industry operates, especially in a new and effective way (Cambridge Dictionary 2020b), such as by using new methods or technology.

The breakdown of population figures by age and sex provides even more meaningful data. Exhibit 8.4 shows that the first cohort of children born during the baby boom that occurred after World War II ended (1946–1964) have reached Medicare age. The boom created a surge of 60-year-olds starting in 2010 that is placing demands on the US healthcare system for acute and post-acute care. These demands are similar to the ones that occurred in schools in the early 1950s, when the baby boomers reached kindergarten. Today we are seeing more assisted living and memory care facilities surfacing in our communities to care for the aging boomers.

In the early twentieth century, average adults spent only 1 percent of their lives in a morbid or ill state, in part because people didn't live as long

disruptor

An organization that changes the traditional way an industry operates, especially in a new and effective way.

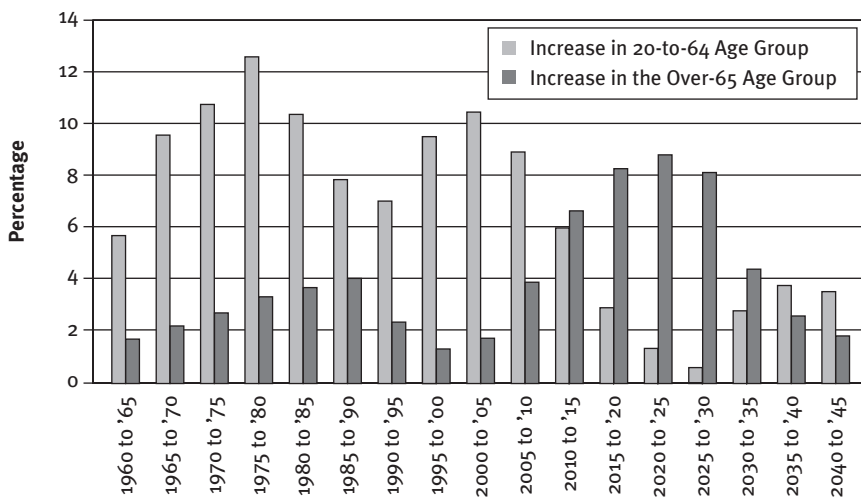


EXHIBIT 8.4
Baby Boomer
Bulge

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as they do now and in part because certain morbidities had yet to be identified; yet in the twenty-first century, 13 percent of the US population aged 65 or older accounts for 35 percent of inpatient hospital care with chronic conditions such as congestive heart failure, osteoarthritis, and chronic obstructive pulmonary disease (McDermott, Elixhauser, and Sun 2017). This older demographic group also consumes 31 percent of emergency medical services responses (Sun, Karaca, and Wong 2018), 35 percent of prescriptions (Dychtwald 2009), 26 percent of physician office visits (Dychtwald 2009), and 63 percent of long-term care services, including home health, hospice, nursing home, and residential or adult day care (Friedland 2015). Serious mental health issues also are affecting this age group. For the healthcare supervisor, this means that staff will need communication skills that rely less on technology and more on verbal methods when working with this group of patients as well as an understanding of the need for potentially shorter-term staffing during this blip.

Growth in the diversity of the population will continue as well. The Latino population, already the nation's largest minority group, has been projected to triple in size and account for most of the nation's population growth from 2005 through 2050. Latinos were expected to make up 29 percent of the US population in 2050 (Passell and Cohn 2008). This projection means that healthcare organizations and management styles need to change to address alternative medicine preferences, language barriers, family values of Latino cultures, signage needs, food preferences, religious beliefs, and other considerations related to that population group.

In addition to age and race demographics and healthcare coverage, management may monitor other social determinants of health. The Healthy People 2020 program administered by the Office of Disease Prevention and Health Promotion (2020) lists the following five key areas (determinants):

1. Economic Stability
2. Education
3. Social and Community Context
4. Health and Health Care
5. Neighborhood and Built Environment

These determinants are linked to key issues that make up the underlying factors, including the following:

- Unemployment or underemployment, poverty, housing instability, food insecurity
- Lack of access to educational opportunities (e.g., early childhood education, higher education), language barriers, low general literacy

- Discrimination, incarceration, little to no civic participation, lack of social cohesion
- Inadequate access to health care services, low health literacy
- Crime and violence in neighborhood, poor-quality housing, lack of access to foods that promote healthy eating patterns

You may be living in a state that mandates capture of certain determinants data, such as homeless status, and during health assessments the availability or access to health resources is often captured. These determinants can serve as important factors in your organization's planning to meet the community's needs.

Supervisory Forecasts

Scientific and Technological Developments

When supervisors make departmental forecasts, their assumptions about the future cover a much narrower field than those of administrators. For example, the home health director might report that, according to the US Bureau of Labor Statistics (US BLS 2019b), there will be a need for 1,185,800 home health aides by 2028. A supervisor should forecast mostly those factors that may have some bearing on the future of the department. Supervisors should determine whether a trend is growing for different skill sets, change in the demand or type of services, and other similar trends in their fields. It is also important to keep abreast of the rapid and often revolutionary developments in the medical field, such as technology that may affect their services. Of course, supervisors also have to contend with some broader assumptions, such as cost containment, government involvement, and other concerns in the healthcare field.

Based on past events, supervisors should make some assumptions on what the future holds. In making such assumptions, they can look to the sources of supplies, available technology, and regulations specific to their functions. Supervisors have many opportunities to keep up-to-date on what is happening in their field, including, but not limited to attending professional educational meetings, listening to relevant webinars, and joining professional organizations and reading their journals. Advances in the medical sciences and technology are progressing so rapidly that a department's functions and staff's responsibilities may significantly change from year to year. Consider, for instance, the impact of a group of surgeons planning to open a freestanding outpatient surgical center two years from now, thus reducing the demand for outpatient surgery at the hospital. Such projections are essential for the planning done by supervisors in operating room, central supply, access, and clinical

laboratories, to name a few areas: Will more, less, or about the same number of employees be needed with the same, different, or additional education or training? Should new equipment be bought or leased? Which surgical devices will no longer need to be kept in inventory? The supervisor must consider these and similar questions.

Employees and Skills

Supervisors also have to make forecasts about the types of employees who will be working in the department in the future. Changes in healthcare technology will probably create a need for some employees who have been educated and trained in completely new and advanced scientific fields and are capable of coping with state-of-the-art technology and areas such as robotics, genetics and prenatal DNA sequencing, electronics, use of artificial intelligence, memory implant devices, and neural networks.

At the same time, supervisors will be challenged with serious shortages of certain categories of staff, including clerical staff. Healthcare positions that require working rotating shifts, seven days a week, are no longer glamorous to young people joining the workforce. Conventional full-time jobs are perceived to limit time available for family or personal activities and are going unfilled. Supervisors will need to not only cultivate staff from within but also build schedules that accommodate more employees working part-time schedules. They will need to be more sensitive to the noneconomic demands that young people expect to fulfill on their jobs and the potential for generational clashes at the work site. Cultural and generational diversity will be a challenge for staff and leaders alike, as 20-year-olds, raised with computers in every aspect of their lives, work side by side with 60-year-olds, who grew up during the early stages of computer development and have adapted along the way. Planning for the team-building efforts that may be required will be imperative for supervisors. Meeting all types of demands, such as material, psychological, and professional, will be particularly important if supervisors must find people who possess skills that up to now may not have been required in the department.

At the supervisory level, leaders will be expected to select new employees who have certain basic skills that can be built on with internal educational programs to enable them to perform multiskilled tasks. Further, they will be asked to develop educational programs to teach these individuals the many skills they will be required to master. They will need to plan both time and effort to bring existing staff up to par with a varied skill set as well as plan the educational curriculum to teach new employees. Finally, they will need to create monitoring tools to ensure that the employees have learned the skills, maintain their skills, and are performing according to expectations. The planning spectrum in this type of environment is vast.

Benefits of Planning

Planning is a rigorous process of establishing objectives; deciding on strategies, tactics, and activities to achieve them; and formally documenting expectations. It results in purposeful organization and activities, which in turn minimize costs and reduce waste. Deciding in advance what is to be done—and how, where, when, and by whom—promotes efficient and orderly operations and reduces errors. All efforts are directed toward a desired result so that haphazard approaches are minimized, activities are coordinated, and duplications are avoided. Thus, planning has many benefits that no manager can afford to neglect.

Effective management demands optimum use of the organization's resources. Supervisors are entrusted with the management of both the employees and physical resources (space, equipment, tools, and materials) of the department. Determining how all these resources are used is their primary responsibility—and the basis on which their managerial performance is judged.

The Strategic Planning Process

Planning can occur at any level of an organization. Although some of this chapter focuses on upper management planning, similar steps are appropriate for the department, section, or team manager. The development of missions and visions and discussion of other concepts in this chapter are not limited to the interests of boards of trustees. As a supervisor, you will be able to apply the steps discussed to your work team's efforts.

Managers may be asked to contribute information for consideration during the strategic planning sessions typically attended by the board of trustees or directors, members of the medical staff, and senior management or administration. In addition, the strategic planning facilitator may invite external experts to guide the thinking, such as the organization's auditors, professional or trade association leaders, bankers, and community leaders.

Long-range planning is a component of strategic planning, and the two have symbiotic intents. When leaders conduct long-range planning, they generally develop a strategy for accomplishing a goal or set of goals over a period of several years, with the assumption that current knowledge about future conditions is sufficiently consistent to ensure the plan's reliability over the duration of its implementation (Support Center 1994–95). In the 1950s and 1960s, when the economy was relatively stable, creating long-range plans was easier. Today it's doubtful that any individual has sufficient knowledge about future conditions affecting healthcare, such as the surge in medical tourism, continued governmental intervention and government-coordinated private insurance plans,

advances in medicine and technology, competition among providers, and the threat of another global pandemic disrupting everything. On the other hand, strategic planning assumes that an organization is responsive to a dynamic, changing environment and stresses the importance of making decisions that will ensure the organization's ability to successfully respond to the changes that occur (Support Center 1994–95). Long-range plans are becoming less long range due to the rapid changes occurring in healthcare and other industries, more so with the unpredictable economic climate and federal interventions. Some organizations have decided that “long range” means two years, with a midterm review of the plan's status. These organizations have tied the long-range plan to the board chair's term to gain ownership of the plan as well as allow a fresh look at the plan from an outsider's perspective (Hoffman 2012).

The development of a strategic plan leads simultaneously to two very different outcomes: an actual strategic plan *document* that lays out a road map for the future and the *process* of engaging key stakeholders in strategic debate. The strategic plan is about building a coalition of supporters for whatever direction is outlined (Clark and Krentz 2006). According to Beckham (2005), throughout the strategic planning process, leaders should ask five fundamental questions:

1. What are the most important challenges we'll face in the foreseeable future? (Strategic issues)
2. What do we aspire to be? (Vision)
3. What are the most important things we need to do to become what we aspire to be? (Strategies)
4. How do we intend to accomplish our strategies? (Tactics and action plans)
5. How will we know how we're doing? (Measurement)

Strategic planning is based on decision making because to answer these five questions and throughout the strategic planning process, choices must be made. The plan ultimately is no more, and no less, than a set of decisions about what to do, how to do it, and why it should be done (Support Center 1994–95).

Validating the Mission

One of the first steps during any strategic planning process is to validate the organization's mission with a **mission statement**—that is, a concise description of what the organization does, what its purpose is, or why it exists. Generally, the mission statement is timeless; a nursing home mission statement may be, “We provide long-term, skilled nursing and rehabilitative services for individuals residing in our facility in a cost-effective and high-quality manner.”

mission statement

A concise description of what the organization does, what its purpose is, or why it exists.

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The ideal mission statement is short and can be easily repeated by each of the organization's employees without hesitation.

The mission of an organization may change if it merges with another, or the mission may change naturally over time as new services are added. Consider how the mission about providing long-term, skilled nursing services would change if this organization were acquired by a national skilled nursing home chain. After the organization's mission is established, each department's mission can be developed; the department's mission should be supportive of the organization's mission. For example, the physical therapy department's mission may be, "We provide high-quality and effective rehabilitative services for our patients and home care clients."

A great deal of information is needed for planning effectively. The review of this information is known as the **environmental assessment** and is not limited to internal information. Some organizations have found the annual *Futurescan* publication from Health Administration Press a valuable resource in gauging what may be happening externally (see, e.g., Leavitt 2018). To be able to predict the impact of changing or adding services, linking with another organization, and so forth, one must know what is happening outside the walls of the organization specifically and in the healthcare industry in general. Therefore, the environmental assessment includes a comprehensive analysis of information about the following (Purcell 2001):

- the organization's current, past, and potential future customers;
- competitors in the region and those who may invade the region served by the organization or provide perceived better services than the organization;
- societal changes, such as demographic shifts in the aged population, movement of the population, unemployment, un- and underinsured trends, or expectations from society in general of healthcare providers;
- industry indicators and comparative data (such as those of HealthGrades, the Leapfrog Group, and Truven Health Analytics for quality and financial ratios for fiscal health);
- regulatory and accreditation changes;
- credit market conditions, to determine if the facility will qualify for the capital needed for the strategic plan; and
- current organizational performance (e.g., financially; in terms of patient outcomes and volume; on staff and patient satisfaction; on licensure issues).

Strategic planners have an acronym for these elements of the environmental assessment: **PESTHR** analysis—political, economic, social, technological, human resource, and regulatory forces. However, as with any planning effort, managers must balance the amount of data they prepare and present

environmental assessment

A comprehensive analysis of conditions inside and outside an organization, ranging from politics to finances.

PESTHR

An acronym that stands for *political, economic, social, technological, human resource, and regulatory* forces. These are all elements of an environmental analysis.

for planning purposes. Too much data can be overwhelming and time-consuming to manage. “Ideally this assessment is focused on the information most relevant for the strategic issues facing the organization,” advise Clark and Krentz (2006, 63), which will help managers avoid becoming paralyzed by the immensity of the available data. “In short, you need the right data to make informed planning decisions,” conclude Clark and Krentz (2006, 63).

Here's an example of an external environmental issue. Assume that several organizations in your community have created accountable care organizations (ACOs). In doing so, they have included most of the primary care physicians from your medical staff in their ACO. Because primary care physicians may only participate in one ACO, your organization is now at a disadvantage. This external environment condition will drive much of your organization's future planning, but in a reactive rather than proactive way.

Let us consider another, more short-term externally driven situation. The other hospitals with which you compete have passed their accreditation survey. However, your facility received a Preliminary Denial of Accreditation from The Joint Commission. This is a problem because the managed care companies in the area extend contracts only to those hospitals that passed and had higher Hospital Compare scores.² This external environment situation will force everyone in the organization to focus and coordinate their plans to quickly resolve the issues causing the unfavorable accreditation status. Ideally, the organization will establish a proactive approach to avoid a recurrence of this condition.

The last component, the internal organization review, may include patient origin data and market share, utilization trends by clinical service, medical staff composition (age, specialty), human resource challenges (hard-to-fill vacancies, staff shortages), financial position, patient satisfaction, and outcomes of services. It is often coupled with what is known as a **SWOT analysis**. SWOT (strengths, weaknesses, opportunities, and threats) analysis evaluates the internal organization based on its

SWOT analysis

An examination of the strengths, weaknesses, opportunities, and threats an organization faces.

- strengths compared with regional competitors and community needs and demands;
- weaknesses compared with competitors, and patient and staff satisfaction surveys, or based on staff's perceptions of the organization's internal functions;
- opportunities for advancing ahead of competitors, serving a patient population not served or underserved currently; and
- threats from external or internal competitors or agents that could stymie the organization's success.

At the end of this chapter, Appendix 8.1 shows the input obtained from the managers of a healthcare facility prior to the board's strategic planning

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session. Appendix 8.2 displays the board of director's SWOT findings from its planning session.

Brandenburger (2019) suggests that SWOT doesn't account for the more dynamic forces at work in the healthcare industry. To address the dynamics, Brandenburger encourages an organization to not only look at its strengths, weaknesses, opportunities, and threats but also its competitor's strengths and weaknesses. Doing so identifies threats to the organization from its competitor's strengths and conversely identifies opportunities for the organization from its competitor's weaknesses.

Creating the Vision

After the environmental assessment and analysis have been completed, the leadership of the organization (those participating in the strategic planning activities) formulates a vision. An organization's **vision statement** describes where the leadership sees the organization going in a designated period; hence, the vision is time bound (Zuckerman 2000). The vision statement should be clear and concise, and ideally it should be a single sentence (see the examples in exhibit 8.5). In essence, the vision statement is an all-encompassing strategy for the organization.

The next planning step is to prioritize those actions indicated for the organization to continue to succeed and deliver its mission as it progresses toward its vision. To expand on our earlier example, the vision statement may read as follows: "Within five years Shady Oaks Nursing Home will be a continuing care system of three nursing homes providing memory, skilled nursing, and rehabilitative care and an assisted living residential facility for those who can care for themselves." The strategic plan for the next year may be to open one of the skilled nursing homes. Each department manager will be responsible for developing action plans to ensure that the home is efficiently designed and constructed in a timely manner.

vision statement
A concise description of an organization's strategy for the future.

Palomar Health, Escondido and Poway, California

Our Vision

Palomar Health will be the health system of choice for patients, physicians, and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services.

Rush University Medical Center, Chicago

Rush University Medical Center will be recognized as the standard for an academic medical center delivering the highest quality care integrated with research and education in health fields.

EXHIBIT 8.5
Vision
Statements

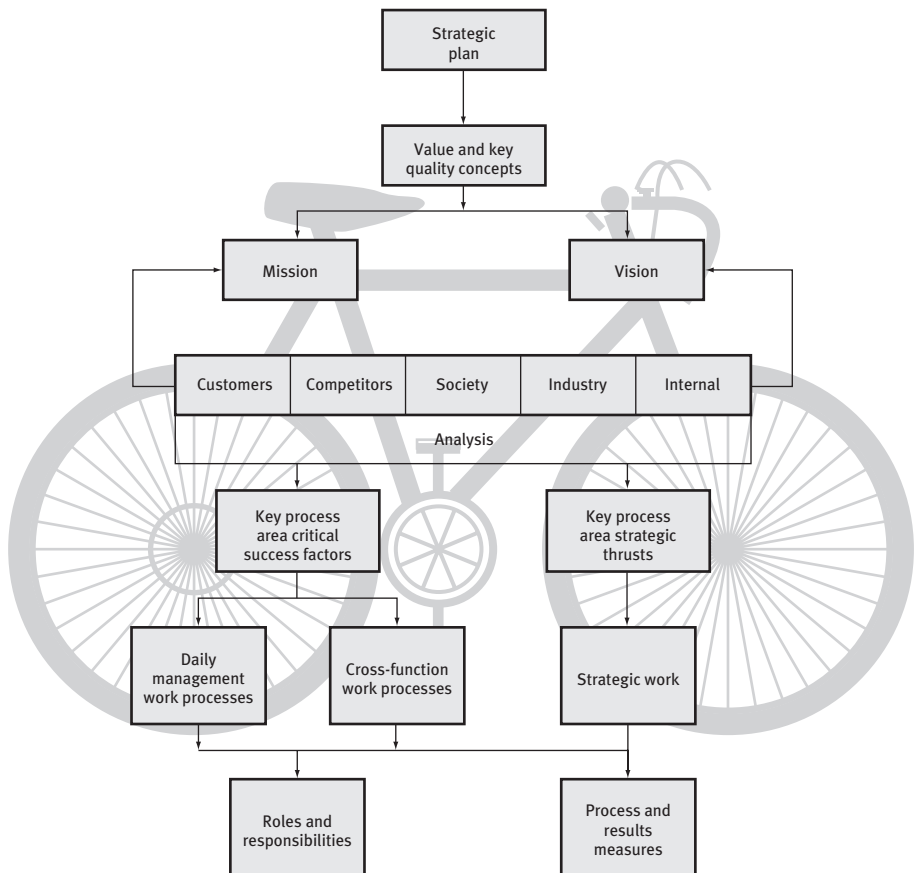
Source: Reprinted with permission of Palomar Health, San Diego County, California, and of Rush University Medical Center, Chicago.

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After the vision has been determined and the analysis of the environmental data completed, the board of directors and senior administration establish broad strategic thrusts to achieve the vision. The thrusts for our example may include (1) launching a fundraising program to raise the money needed to build or acquire two additional nursing homes and the property and buildings for the residential housing, (2) lobbying the legislature or regulatory agencies to avoid any delays that would prevent the organization from achieving its vision, or (3) proposing a bond issue to support the expansion. The planning group not only sets the vision but also identifies various routes for management to take to achieve the organization's broadest goals. In effect, the strategic planning group could be perceived as sitting on the seat of a bicycle and pedaling it down a path toward the vision (see exhibit 8.6). Strategies take on value only as committed people infuse them with energy (Kouzes and Posner 2003) and gain the buy-in of the organization's staffs to

EXHIBIT 8.6
Strategic
Planning Model



Source: Courtesy of McArdle Business Advisors, St. Paul, Minnesota.

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achieve them. Buy-in is encouraged by organizations that publicly state their values, which set the ethical tone for the organization.

Determining the Critical Success Factors or Objectives

In addition to the strategic thrusts, the information from the environmental assessment identifies **critical success factors** (CSFs). These are important milestones that must be met to achieve the strategies. One CSF might be obtaining a state certificate of approval before a competitor obtains one for a given community location; another might be establishing an effective marketing campaign to support the fundraising program. In some organizations, a CSF may be called an *organization goal*.

With the vision, strategic thrusts (strategies), and CSFs (goals) defined, senior management and administration identify the objectives that support the CSFs and bring the vision to reality. The burden of the effort to make the organization successful lies with management and staff. The full strength of this group must be marshaled to achieve the vision. As a supervisor, you will meet with your administrative leader and possibly your subordinates to define the objectives for your department, the impact of these objectives on your daily work processes, and the interdepartmental relationships that must be established or strengthened for total organizational success (see exhibit 8.7). You, your peers, and your superiors will create *operating plans*, or detailed action plans, to accomplish the goals laid out in the strategic plan. An operating plan may correspond to the fiscal year or grant cycles, depending on the funding source(s), and serve as a building block for the future years.

critical success factors
Subgoals of a plan, monitored during performance management to measure progress of the overall plan.

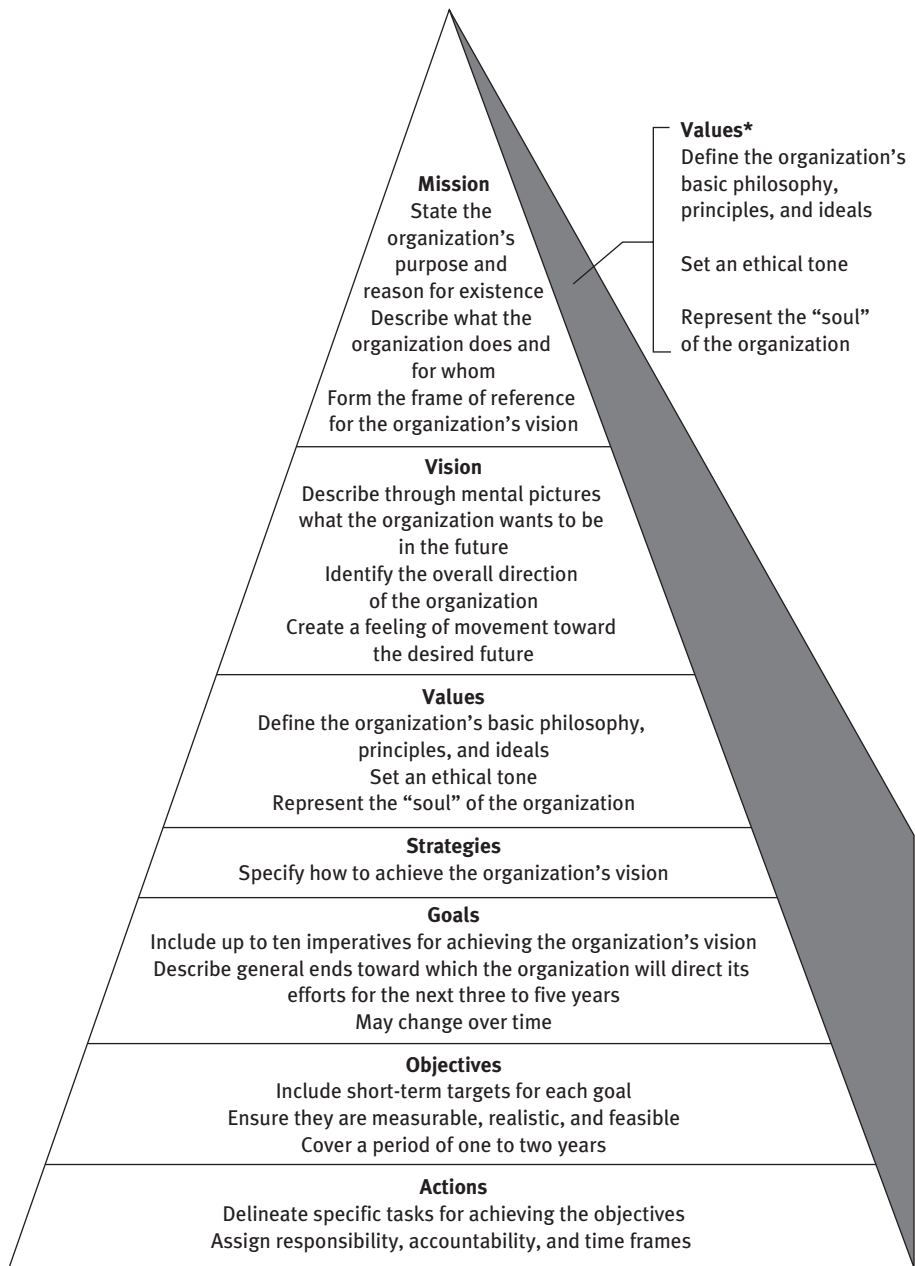
Other Planning Considerations

The length of time for which a manager should plan is called the **planning horizon**. The planning horizon is usually distinguished as long term, intermediate, or short term. The exact definitions of long-term and short-term planning depend on the manager's level in the hierarchy, the type of institution, and the kind of activity in which it is engaged.

planning horizon
The length of time for which a manager should plan.

Generally, *short-term planning* covers a period of up to one year, and planning of activities to be carried out over a period of between one and five years is known as *intermediate planning*. This planning horizon contains fewer uncertainties than the long-range planning, which has to contend with highly uncertain conditions of several decades hence. Thus, *long-term planning* usually involves a considerably longer horizon—generally, any plan that extends five or more years. Because of the US healthcare industry's dynamics, healthcare leadership finds it difficult to plan beyond a decade. Much regulatory change depends on the political party controlling Congress and on the potential for congressional and presidential changes every four to eight years.

EXHIBIT 8.7
Planning
Terminology
and Definitions



*The values support each step equally.

Source: Zuckerman (2005).

The supervisor's planning period is short range—that is, for one year or perhaps for six months, one month, one week, or even one day. A supervisor can definitely plan some activities in 3-, 6-, 9-, or 12-month increments, such as renovating the main lobby and registration areas or implementing a

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case management application. On the other hand, supervisory planning often is for a shorter time—a month, a pay period, a week, a day, or only a shift. Such short-range planning is frequently needed in patient care services and in other departments that have difficulty recruiting talented staff to ensure adequate staffing and supplies for the daily activities.

It is more desirable if the supervisor is able to make longer-range plans, but for practical purposes, proper attention must be given to seeing that the work of each day is accomplished. This short-range planning requires the supervisor to take the time to consider the nature and amount of work that is to be done each day by the department, the person(s) responsible for doing the work, and when the work has to be done. Furthermore, this daily planning, by definition, must be done ahead of time; many supervisors prefer to do it at the end of the day before or prior to the shift, when they can size up what has been accomplished already to formulate plans for the following day or shift.

Occasionally, a supervisor will be involved in intermediate and long-term planning. For example, the boss may want to discuss planning for new activities for the institution. A supervisor may be informed of a contemplated expansion or the addition of new facilities—for instance, an outpatient behavioral health center—and is then asked to propose what the department can contribute or what is needed. If a hospital plans for an enlarged outpatient surgical center, the directors of central supply, purchasing, anesthesia, and nursing as well as the operating room supervisors should be involved. This team of individuals is tasked to develop short-term measurable targets, or objectives, and then delineate the specific tasks or actions for achieving the targets. *Action plans* are the result of this delineation process.

As shown in Appendix 8.1, from time to time the administrator might request that the supervisors look into the future and project the long-term trend of a particular activity, especially if it is apparent that such activity will be affected by major breakthroughs in medical science and technology or by regulatory change. Certainly the plant engineering manager was involved in the planning for the selection and installation of a new roof for the facility, and the information technology (IT) management and compliance office were involved in preparations of the **health information exchange** for the provider network. It is important for supervisors to participate in such long-range planning because strategic planning is ultimately about resource allocation to competitively meet the patient care needs of the community (Clark and Krentz 2006). The supervisor not only needs to contribute to the plans but needs to understand that the plans may require staffing modifications or provide for new equipment, space, or technology for the department. The Economics Press (1999) offers the following planning suggestions:

Start your planning by asking questions about the new project: “How does the upcoming job differ from the one my team is working on now?” Even a small

health information exchange

A system that allows doctors, nurses, pharmacists, other healthcare providers, and patients to access and securely share a patient's vital medical information electronically. The exchange may be local or national in scope.

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change, such as a tighter deadline or a change of location, could lead to big problems if you and your team are not prepared for it. Once you've decided what makes the upcoming job different from the last one, ask yourself: "What problems and mistakes are likely to occur? And what's the best way to avoid them?" If you have to coordinate your efforts with another department or team, you will have to work out a joint, detailed schedule with them. If needed, materials must be obtained before the project can begin. Another question: "Will anyone need additional training?"

The long-term plans also may indicate that subordinates with completely new skills and education are needed and that a search for incumbents with the requisite skills and education must start immediately. Learning new procedures and techniques might be necessary as a result of new and different ways of diagnosing and treating medical conditions. For instance, consider the transition from a film library in the radiology department to a picture-archiving communications system with web access for telemedicine. Even though these technologies are readily available, their implementation date is often placed in the long term because of the high cost and the time it takes to acquire the equipment (known as a *capital expenditure*). In these situations, the supervisors must participate in long-term planning to ensure adequate space, staff and user training, and so forth. On the other hand, some long-term plans may actually result in elimination of staff. The use of robotics and artificial intelligence, as discussed in chapter 7, may reduce the need for some services or the labor associated with the services.

The Integration and Communication of Plans

Integrating, coordinating, and balancing long-term, intermediate, and short-term plans are essential. Therefore, the supervisor's short-term plans must support intermediate plans, which in turn should support long-term plans. Long-term planning should not be viewed as an activity separate from or contrary to short-term planning. All too often, however, there is a gap between the knowledge of top management and that of lower-level management concerning planning. This gap is often justified by the claim that many of the plans are confidential and cannot be divulged for security or proprietary reasons. Most employees know that little can be kept secret in any organization. On the other hand, supervisors should realize that some limitations exist as to what they are allowed to know, and top-level administration may not wish to disclose all their plans for competitive reasons.

To the extent necessary, plans should be communicated and fully explained to subordinate managers so that they are in a better position to formulate derivative plans for their departments and explain equipment, workflow, or scheduling changes to their staff. Along the same line,

supervisors should always bear in mind that their own employees are affected by the plans they make. Not only supervisors but their staff must clearly understand the objectives of their own department as well as how their goals support the goals and objectives of the entire institution. Because employees execute whatever has been planned, the supervisor should explain in advance the plans for the department. The manager may even want to consult subordinate supervisors, team leaders, and line employees for suggestions because some may be in a position to make helpful contributions. The supervisor must bear in mind that the successful completion of a task depends on the full understanding of its purpose by those who have to carry it out. The supervisor should also remember that well-informed employees always are better employees. Such employees appreciate that they have not been kept in the dark. It is good management to make certain that all employees at all levels are thoroughly informed about the objectives to be achieved.

Planning and the objectives and action plans that are created to achieve the organization's strategy require the collective thinking of all staff members that fosters innovation. Our staff's brain trusts can be disruptors that create a better experience for our patients. Organizations need an environment that encourages creative thinking and provides a venue to test new ideas and a means to accelerate their dissemination. Innovative policies at the board level should solidify the organization's commitment. A collaborative and pioneering environment should make it easier for all employees to discuss and develop ideas that are consistent with the organization's strategy and see them through to fruition. That includes funding earmarked specifically for innovative projects, education, and training (Jarousse 2012).

The Use of Objectives in Planning

Goals and objectives are not exactly the same thing, though the terms are often used interchangeably. *Goals* support the vision and define results. *Objectives* set targets and describe how the goals will be achieved. Effective management is always management by objectives. Objectives provide a road map, and—unlike the Cheshire Cat, in *Alice in Wonderland*, who commented, “If you don't know where you are going, any road will get you there”—the road map assists in keeping you on the path. This holds true for the CEO of a hospital, for the supervisor on the “firing line,” and for all managers on the levels in between. Formulating objectives should therefore be foremost in every manager's mind. Once the goals have been established, additional plans—such as action steps, policies, standard procedures, methods, rules, programs, projects, and budgets—are designed to achieve the objectives.

primary care

Initial physician contact, such as in an emergency department, a clinic, or a physician's office.

secondary care

Patient care provided by specialists who do not normally have first contact with a patient, such as urologists or dermatologists.

tertiary care

Highly sophisticated and specialized inpatient care, normally in a healthcare facility that specializes in that type of care, such as a heart institute.

values statement

A statement that defines what an organization holds important.

Recall, however, that managers should anticipate unexpected events as well as opportunities that may arise and not compromise addressing those events or capitalizing on the opportunities because they are not included in their assigned objectives.

Primary Objectives

In general, many healthcare centers have such primary objectives as providing **primary care**, **secondary care**, or **tertiary care**; providing healthcare at a reasonable cost; doing research; recruiting outstanding clinicians and employees; providing preventive health services; and training employees to deliver care or perform activities customarily associated with a healthcare institution. In addition to these goals, a healthcare facility can have many other objectives, such as implementing an environmental program, achieving excellent outcomes, establishing a good and caring image in the community, and maintaining fiscal viability. Some of these objectives will tie to an organization's values.

A healthcare institution also strives toward many other, less tangible objectives. In relation to its employees, for instance, its goal is to be a good and fair employer. The objective in this case is to establish the reputation of being a good place for people to work. These objectives may speak to the organization's values. According to Zuckerman (2012), "values define the organization's basic philosophy, principles, and ideals." A **values statement** answers the question, "What is important to this organization?" and cites the moral and ethical beliefs and behavioral standards that are fundamental to the organization. As shown by the examples in exhibit 8.8, the values statement may be short or long, but it should express the organization's ethical commitment to its staffs and community served.³

EXHIBIT 8.8

Values
Statements

Palomar Health, San Diego County, California

Our Values

- Compassion—Providing comfort and care
- Integrity—Doing the right thing for the right reason
- Teamwork—Working together toward shared goals
- Excellence—Aspiring to be the best
- Service—Serving others and our community
- Trust—Delivering on promises

Littleton Regional Hospital, Littleton, New Hampshire

Values: Integrity, Respect, Compassion, Excellence.

Source: Courtesy of Palomar Health, San Diego County, California and Littleton Regional Hospital, Littleton, New Hampshire.

Most organizations have many primary objectives, and the difficulty lies in ranking and balancing them. This is especially true for healthcare facilities. If the CEO chooses a single objective and excludes all the others, the effectiveness of the institution's overall performance could be jeopardized. However, it is equally important for the CEO to focus on the most important primary objective and ensure that daily distractions do not take the organization off the path of achievement. Franklin Covey calls this most important primary objective a "Wildly Important Goal (WIG)" and asserts, "This is the goal that matters most for the organization. Failure to achieve it will make every other accomplishment seem secondary—or possibly even inconsequential" (McChesney, Covey, and Huling 2016, 10). Finally, because healthcare activities must function in a constantly changing and increasingly challenging environment, it is necessary to continually reevaluate objectives and to add new ones that support the values of the organization and meet the needs of the communities served.

Secondary or Departmental Objectives

The objectives specific to departments can be called *secondary*, *operative*, *supportive*, or *derivative* objectives. Because each department or division has a specific task to perform, each must have its own clearly defined objectives. These secondary objectives of the departments must stay within and contribute to the overall framework of the organization's primary goals.

Because they are concerned with only one department, however, secondary objectives are necessarily narrower in scope. They enable departmental managers to operate at their own discretion, although, again, always within the limits of the overall institutional (primary) goals. For instance, if the stated organizational goal is "to support research so that our clinicians are able to deliver state-of-the-art healthcare," the stated mission of the facility's clinical analytics department may be "to systematically collect and maintain all patient demographic and medical data, to facilitate analysis of the data so that the resulting information benefits our researchers, clinicians and patients." Therefore, the departmental objectives for the clinical analytics department may be to (1) work closely with patient financial services, pharmacy, health information, charge description specialist, and business analytics to obtain timely data; (2) collect, analyze, and publish various hospital and clinical comparative outcomes statistics; and (3) review and assess concurrently and retrospectively the outcomes and utilization of pharmaceuticals, diagnostic, and therapeutic services.

Obviously, these departmental objectives are specific, but their fulfillment contributes to the achievement of overall institutional goals. In fact, the primary goals could not be achieved if these and all other departmental objectives were not fulfilled.

Developing Objectives

Planning is a dynamic process. Objectives must be flexible and adaptable to changes in the internal and external environments. Therefore, frequently reviewing, revising, or updating objectives is a managerial duty on all levels.

Objectives should represent measurable targets that lead to the achievement of a given goal. The aforementioned acronym SMART indicates the steps to writing strong objectives—specific, measurable, attainable, result oriented, time limited (Allen 2000; Harvard Business Review 2014). Objectives must be established for each goal. An example of an organizational goal may be “to expand community access to primary healthcare services.” A corresponding objective may be “to open three off-site ambulatory care clinics in the coming fiscal year at a cost not to exceed \$2.5 million.” For objectives to be achievable, the board and senior management must ensure that the resources are available.

Monitoring the Effectiveness of the Strategic Plan

After management has created the strategic plan, the plan must be implemented through the efforts of all departments and staffs of the healthcare entity. Top down or bottom up, an organization's workforce implements any changes; if the staff do not respect or understand the undertaking, the plan is doomed at inception (Purcell 2001). As with any plan, knowing whether the decisions were right or wrong requires monitoring the implementation and effectiveness of the plan. This monitoring effort is known as **performance management** (PM). PM collects data to monitor whether the CSFs of the plan were achieved as intended. An appropriate PM may include making necessary revisions to the plan or operations to achieve corporate goals. Involving all employees in the development of CSF measurements helps define what management is interested in and the results it expects. Sometimes, this process is carried out through a management by objectives approach, as detailed in the following section.

performance management

The process of monitoring the implementation and effectiveness of a plan.

Management by Objectives

To achieve specific results from setting these departmental objectives, organizations may use a process called *management by objectives* (MBO). As mentioned in chapter 2, the term and concept were introduced by management expert Peter Drucker (1954).

MBO is an integrative management concept, containing elements of the planning function together with participative management, collaboration, motivation, and controlling. It is the process of collaborative goal setting by the manager and subordinate. The degree to which goals

HOSPITAL LAND



are accomplished plays a major role in evaluating and rewarding the subordinate's performance. MBO demonstrates the interrelationships of the managerial functions and the systems approach to management. Therefore, MBO is also discussed in other chapters of this book. This section, however, is primarily concerned with the meaning of MBO in connection with setting and achieving objectives.

When a facility begins an MBO program, top administration must communicate the reason that MBO has been adopted, must indicate that the program starts at the top of the organization, and must project the results the program is expected to produce. All managers and employees also need to be educated and informed about their role in the program. Often organizations create "dashboards" to monitor their progress.

MBO is concerned with goal setting for individual managers. In this process, a manager at any level and that manager's immediate subordinate jointly develop departmental goals in accordance with organizational goals.

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After institutional goals are clarified, the manager and the subordinate, on a one-to-one basis, develop and agree on the subordinate's goals during a stated period. The subordinate then defines the objectives to achieve the goals. To be operational, these performance objectives must be specific, measurable (quantifiable), and challenging, but they should also be realistically attainable within the time frame established. This means that each objective must provide a plan showing what work is to be done, in what time frame it is to be done, who is to do it, and what resources the individual can use to get it done. Quantitative indicators must also be established to measure what work is achieved.

To be realistic, it should be possible to carry out the activity within the time frame set—a period long enough to meet the objective but short enough to provide timely feedback and still permit intervention if necessary. In general, the goals should meet the three criteria of specificity, conciseness, and time frame. The degree to which these goals are achieved is a major factor in evaluating and rewarding the subordinate's performance. The reward relationship to the goal has become one of the criticisms of MBO today. Even Drucker's contemporary W. Edwards Deming condemned it. But, according to Palmisano (2017), Drucker, the father of MBO, "warns against giving bonuses only to the people who make the most visible and easily quantifiable contributions to the business; instead he encourages managers to look deep into each person's performance and reward contributions that may not be directly measurable or may not pay off for years in the future." MBO should not be thrown out but rather tailored to today's workforce and team-driven environment.

It is important that any goals be jointly established and agreed on ahead of time. At the end of the period, both the supervisor and the subordinate participate in the review of the subordinate's performance to see how results for the period compare with the objectives the subordinate set out to accomplish. If the goals were achieved, new goals are set for the next period. If a discrepancy exists, efforts are made to find solutions to overcome these problems, and the manager and subordinate agree on new goals for the next period. MBO can be a powerful tool in achieving involvement and commitment of subordinates, as illustrated by the example in exhibit 8.9).

An alternative to MBO is *objectives and key results* (OKR), described by Palmisano (2017) as "the Intel-born goal-setting model endorsed by tons of Silicon Valley start-ups" and a proven goal methodology popularized by John Doerr, who used them to help transform Google, YouTube, and Intuit. Compatible with WIG and employee coaching principles, OKR facilitates an organization's desire to have employees work on what matters most. Further details about OKR and other tools that contribute to a supervisor's planning and management success will be presented in chapter 15.

EXHIBIT 8.9
Management
Objectives

Goal	Expected Date
Reduce by 50% the denials for inappropriate admissions.	4th quarter
Capture data (by physician and payer) on inappropriate admissions.	1st quarter
In cooperation with the vice president of medical affairs, develop an educational program for the medical staff.	2nd quarter
Present the education program for each clinical service.	2nd quarter
Present a one-on-one educational program for those physicians with the majority of admission denials.	2nd quarter

Summary

Planning is the managerial function that determines what is to be done in the future. It is the function of every manager, from the top-level administrator to the supervisor of each department. Planning is important because it ensures the best utilization of resources and economy of performance. The planning period at the supervisory level is usually much shorter than the period at the top administrator's level. Nevertheless, the short-range plans of the supervisor must coincide with the long-range plans of the enterprise.

All planning must be done with forecasts of the future in mind. Forecasting is an art, not a science. As of yet, no infallible way of predicting the future exists; however, forecasting accuracy increases with experience. One should always remember that at the base of all forecasts lie certain assumptions, approximations, opinions, and judgments. Entity-wide forecasts or assumptions are made by top-level administration when the strategy is set.

After the organization's strategy is defined, managers will create objectives and action plans that support the goals established by senior leadership. Prioritizing objectives will allow staff to focus on those objectives that are most important for the organization's success. Sharing the strategy, goals and objectives with the employees helps them to understand the vision of leadership and understanding where the organization is headed and how it will further its mission.

One useful technique for implementing plans is management by objectives, a process of collaborative goal setting that leads to evaluation. To be successful, this approach must establish realistic time frames and expectations that are mutually agreed on and provide for recognition of the staff's effort to implement successful actions plans.

Notes

1. A *competitive intelligence database* (Zuckerman 2012) includes such information as annual reports, copies of websites, newspaper articles, demographic/economic indicators, technology factors, market size and characteristics, state licensure and other state filings, Internal Revenue Service Form 990 and 10K reports, public vendors, and so on.
2. Hospital Compare is a tool available through the US Department of Health and Human Services to allow the public to compare the quality of care provided by hospitals in the area. See more information at www.medicare.gov/hospitalcompare/search.html.
3. Readers may find the multicategory Values Statement of Heritage Healthcare, a national long-term care entity also known as Life Care Centers of America, of interest. It can be found at <http://heritagehealthcarein.com/mission>.

Review Questions

1. Which managers are responsible for planning?
2. What does a business intelligence analyst do?
3. What kinds of forecasts do supervisors need to make?
4. How can supervisors use management by objectives to implement plans?

Additional Readings

- Bolster, C. J. 2008. "Planning During Turmoil—Credit Challenges and Healthcare Finance." *Healthcare Financial Management* 62 (11): 55–62.
- Society for Healthcare Strategy & Market Development. 2019. *Futurescan 2019: Healthcare Trends and Implications 2019–2024*. Chicago: Society for Healthcare Strategy & Market Development of the American Hospital Association and Health Administration Press.

Class Activity

Refer to the discussion earlier in the chapter about the expansion of the outpatient surgical center. What are some of the short-term measurable targets or objectives for the team? Delineate the specific tasks or actions for achieving

the targets. Do the tasks or objectives change if the goal stated by administration is “to increase volume of outpatient surgical procedures by 25 percent”? How so? What needs to be considered by the team? Create an action plan.

Case Study

Read the following case study and discuss the case questions.

Manzano, W., and A. R. Kovner. 2017. “Case 32: Getting from Good to Great: Nursing and Patient Care.” In *Health Services Management: A Case Study Approach*, 11th ed., edited by Ann Scheck McAlearney and Anthony R. Kovner. Chicago: Health Administration Press.