

Instructor Resources Sample

This is a sample of the instructor materials for *Strategic Healthcare Management: Planning and Execution*, Third Edition, by Stephen L. Walston, PhD.

The complete instructor materials include the following:

- Test bank
- PowerPoint slides
- Answers to the chapter discussion questions
- Suggestions for presenting and discussing the cases

This sample includes the materials for chapter 6.

If you adopt this text, you will be given access to the complete materials. To obtain access, e-mail your request to hapbooks@ache.org and include the following information in your message:

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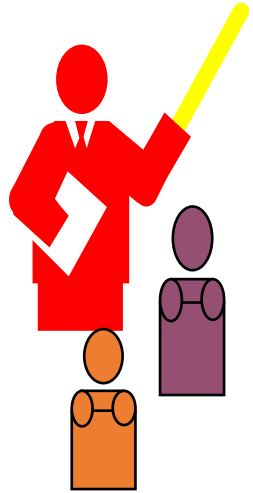


CHAPTER 6: STAKEHOLDERS, VALUES, MISSION, AND VISION

PowerPoint Presentation

Strategic Healthcare Management: Planning and Execution, Third Edition

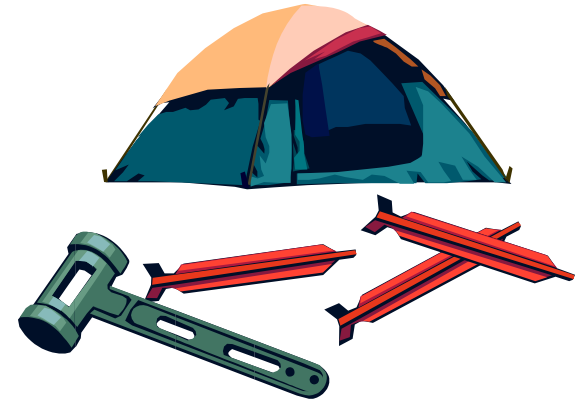
by Stephen L. Walston



LEARNING OBJECTIVES

- Understand who organizational stakeholders are and their importance in creating the company's strategic intent.
- Comprehend that strategic intent consists of three components: mission, vision, and values.
- Know the importance of values to a company and how they can be identified.
- Recognize the differences between mission and vision statements and be able to describe how they are created.

STAKEHOLDERS

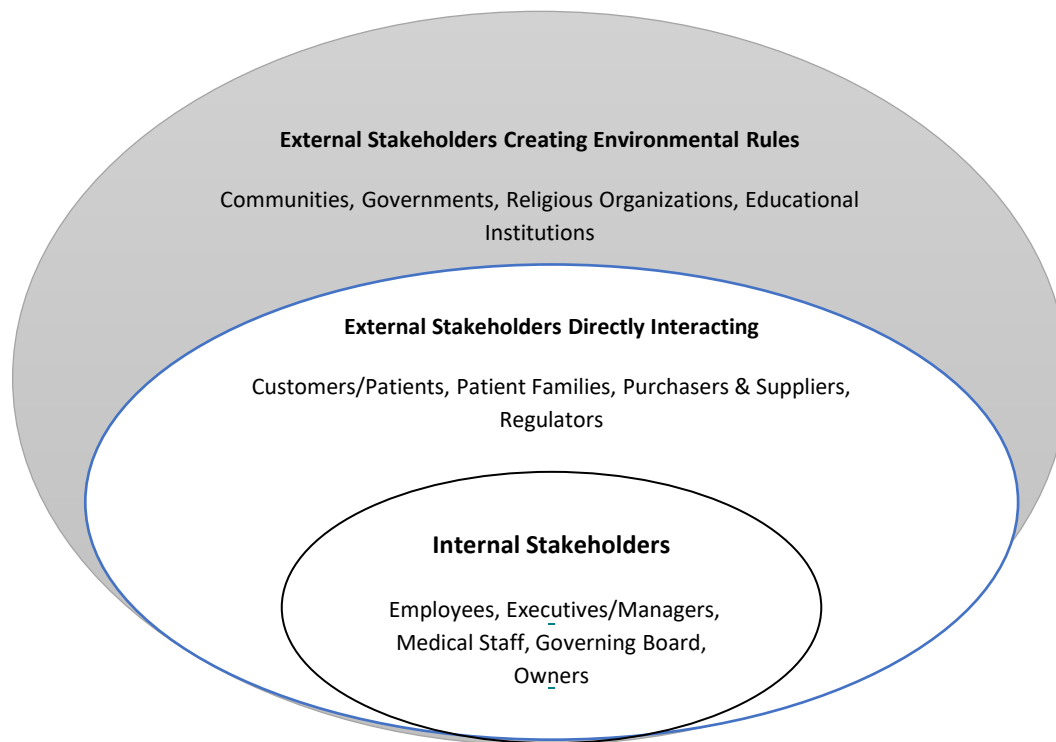


- Persons who have a claim to or obtain some benefit from an organization.
- “Those groups who depend on the organization to fulfill their own goals and on whom, in turn, the organization depends.” (Johnson and Scholes 2002, 206)
- Include both external and internal stakeholders.

Who Is an Important Stakeholder?

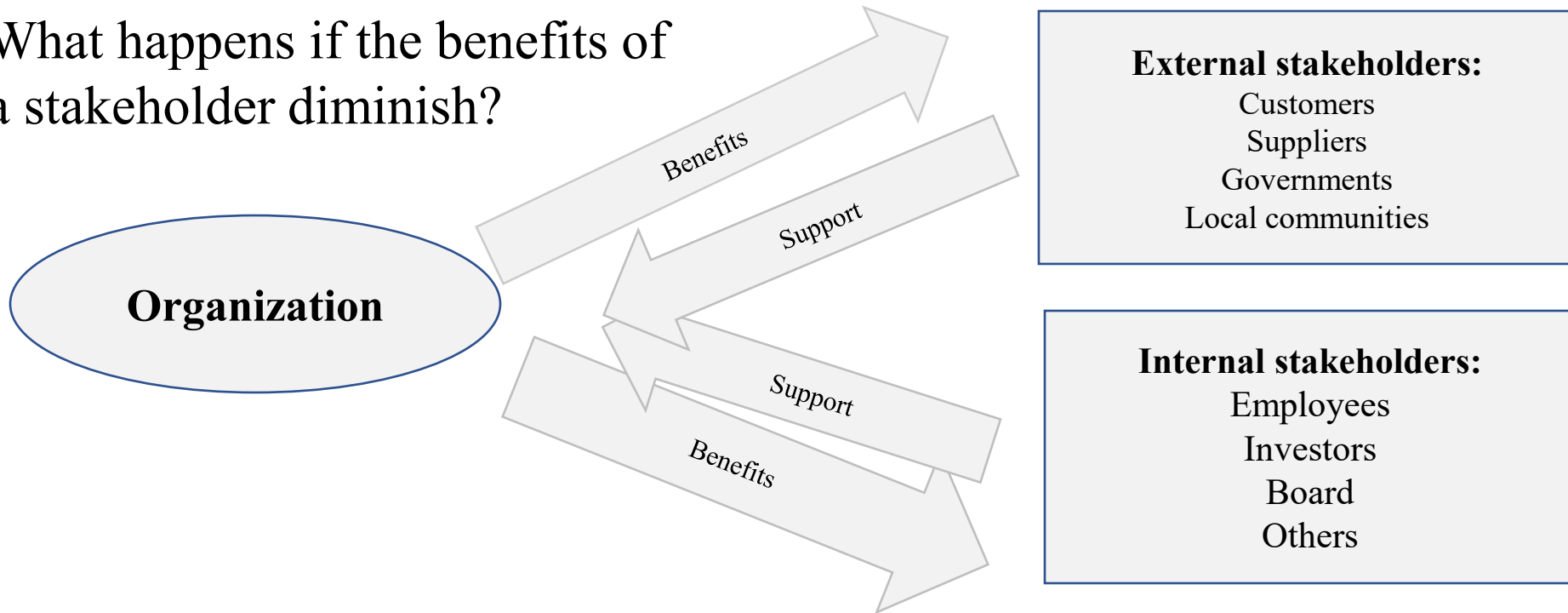
- Does the stakeholder have a significant impact on the organization's performance?
- Can you identify what input and assistance you want from the stakeholder?
- Do you want the relationship with this stakeholder to grow and develop?
- Can you exist without or easily replace this stakeholder?

Layers of Stakeholders



RELATIONSHIP BETWEEN STAKEHOLDERS AND ORGANIZATIONS

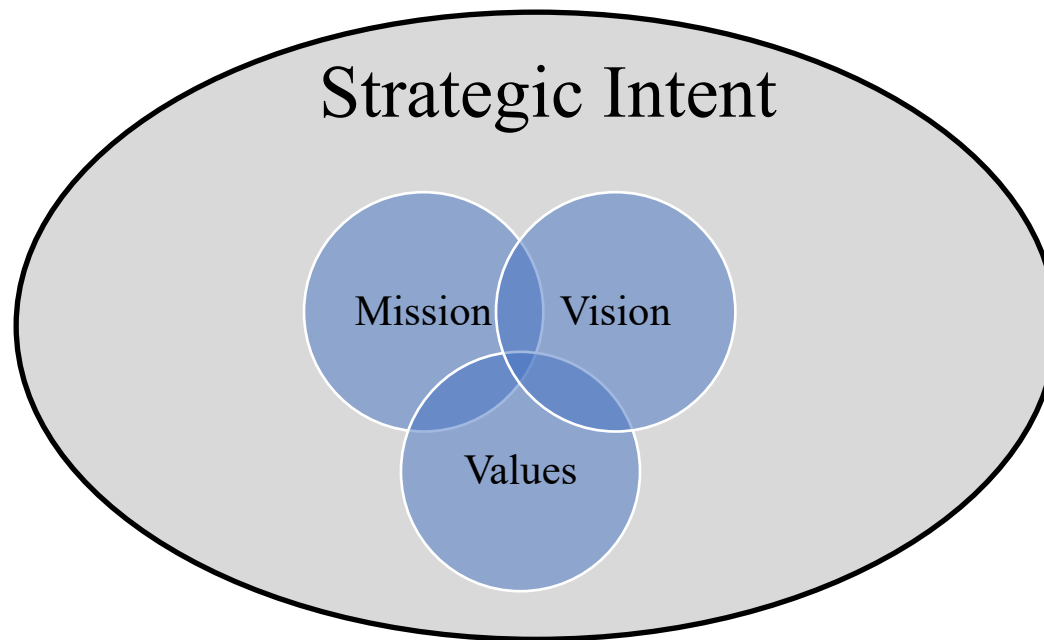
What happens if the benefits of a stakeholder diminish?

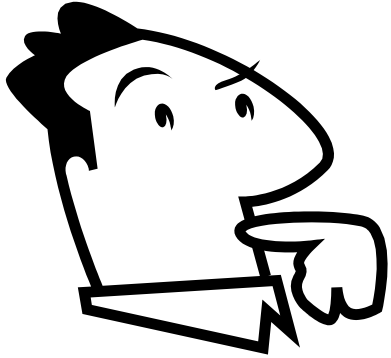


STRATEGIC INTENT

- Key gauge of an organization's relationship with its stakeholders
- Identifies stakeholders most important to the organization and the benefits they are to receive
- A statement of commitment to stakeholders and the basis on which the organization defines its successes and failures

RELATIONSHIP BETWEEN STRATEGIC INTENT AND MISSION, VISION, AND VALUES





QUESTIONS

- What is the strategic intent of most organizations?
- Do all organizations have an obvious strategic intent?



What is the mission advantage a company should seek?



DIVERSE STRATEGIC INTENTS DRIVE WIDELY DIFFERENT STRATEGIES

Diverse organizational intents engender dissimilar values, missions, and visions as well as different approaches to strategy, especially in the healthcare sector, where different segments consist of a dissimilar mix of for-profit and not-for-profit organizations.



DISCONNECT BETWEEN STRATEGIC INTENT AND ACTION

Organizations create problems for themselves when they espouse wonderful-sounding values, missions, and visions and then act contrarily to these dictates.

VALUES

- Foundation of an organization's mission and vision
- Express the ethics that guide an organization's actions and processes
- Should be the final metric by which an organization determines whether it has succeeded or failed
- Should endure across time
- Must be deeply embedded in an organization's culture and in the hearts and minds of its employees, and not just written and hung on a wall



HOW SHOULD VALUES BE ESTABLISHED?

- Obtain key stakeholders' expectations for the organization.
- Identify common values among stakeholders.
- Values should be visible and tangible to employees.
- Values should be memorable.



DIGNITY HEALTH'S VALUES

Compassion

- Care with listening, empathy and love.
- Accompany and comfort those in need of healing.

Inclusion

- Celebrate each person's gifts and voice.
- Respect the dignity of all.

Integrity

- Inspire trust through honesty.
- Demonstrate courage in the face of inequity.

Excellence

- Serve with fullest passion, creativity and stewardship.
- Exceed expectations of others and ourselves.

Collaboration

- Commit to the power of working together.
- Build and nurture meaningful relationships.



ARE VALUES GESTURES OR REALITY?

- Do they motivate?
- Do employees consistently follow them?
- What is their real purpose?



WAYS TO EMBED VALUES

- Values need to be incorporated into all organizational operations and processes, including hiring, performance review, promotion, reward, and dismissal (Nelson and Gardent 2011).
- For values to function as a guide, all internal stakeholders should be aware of them, accept them, and integrate them daily into their organizational decisions and actions (Nelson and Gardent 2011).

MISSION

- A foundation of strategic intent
- An enduring statement of purpose that distinguishes one organization from another and identifies the scope of its operations in terms of products and markets (David 1993)
- Generally, a mission should contain
 - the services or products offered,
 - the values and standards that distinguish the organization, and
 - the market(s) in which the organization operates.

GOOD AND BAD OF MISSION STATEMENTS

Good Attributes		Bad Attributes
• Language stakeholders use	↔	• Jargon stakeholders do not use
• Stirs emotions and inspires	↔	• Lacks emotion and feels uninspiring
• Tells the “why”	↔	• Tells only “what” or “how”
• Is concise	↔	• Is lengthy and rambling
• Moving spoken aloud	↔	• Hard to verbalize
• Memorable	↔	• Forgettable
• Actionable	↔	• Hard to quantify
• Specific	↔	• Vague

NONDESCRIPT MISSION STATEMENTS

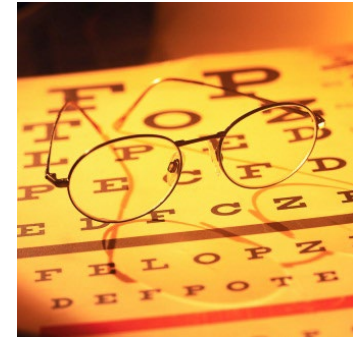
- Example: “Providing the highest quality of care for the lowest possible cost.”
- Nearly all mission statements are “long on lofty ideals and objectives,” but they usually lack anything distinctive that would distinguish the organization from its competitors.

VISION



- Another foundation of the strategic intent
- Desired future state of the organization—what it wishes to become
- Should be relatively short and written in understandable language
- Its key components should be easy to remember

EVALUATING VISIONS



- Does the vision place the organization on the correct path to where it wants to go?
- Are the organization's current strategic actions consistent with the vision?
- What needs to happen this year, next year, and in three years to achieve the vision?
- Will achievement of the vision meet key stakeholders' needs? How?
- Does the vision depict a future that will be challenging to achieve yet is attainable?



EXAMPLE: LIFEPOINT'S VISION

We want every hospital to be a place where:

- Patients choose to come for healthcare,
- Physicians want to practice, and
- Employees want to work.

Source: www.lifepointhospitals.com/about-lifepoint/mission-vision-values.



VISION SUMMARY

A vision should

- be part of an organization's strategic intent,
- express what the organization wants to become,
- foster commitment and galvanize employees to action,
- be short enough to remember and be understandable, and
- show employees what they are striving for and give meaning to their work.

CHAPTER QUESTIONS



1. What is a stakeholder? What are some common groups of stakeholders in healthcare?
2. Why would groups' or individuals' interest in and power to influence an organization determine whether they are key stakeholders? What other factors might be considered?
3. Does an organization's strategic intent always need to specify a mission, a vision, and values separately? Why or why not?
4. How might an organization's culture reflect its established values?
5. What are the three essential components of a mission?
6. Why do many organizations fail to use their mission and vision effectively?
7. What is the purpose of a vision?



CHAPTER CASES

- Read one of the cases at the end of the chapter.
- Answer the questions that follow the case.

CHAPTER ASSIGNMENT

- Use class discussion and reading to infer the potential effect of various statements of strategic intent on organizations' strategic behavior.
 - Choose two for-profit and two not-for profit hospitals, and identify their values, missions, and visions.
 - Compare their values, mission, and vision statements. Are there any significant or subtle differences? If you feel they are the same, why?
 - Does each statement contain the minimum content discussed in this chapter?

CHAPTER ASSIGNMENT

- Look at the following three mission statements, and evaluate them using the mission evaluation criteria given in this chapter. Which components does each of these statements contain? Lack? What would you recommend to improve these missions? Which could you as an employee understand and use best?
 - “The American Red Cross prevents and alleviates human suffering in the face of emergencies by mobilizing the power of volunteers and the generosity of donors” (American Red Cross 2022).
 - “Improving healthcare in every setting—one product, one partner, one patient at a time” (McKesson 2021a).
 - “Discover. Teach. Heal” (UC Irvine Health 2021).

CHAPTER ASSIGNMENT

- Many healthcare organizations have been subject to state and federal fines and criminal investigation. Identify an organization that did not act in accordance with its values, mission, and vision and incurred criminal or civil fines as a result. In a one-page paper, describe how the organization's activities did not reflect its written strategic intent and propose lawful actions it could have taken to embrace its written values and achieve better outcomes.



QUESTIONS?

CHAPTER 6 DISCUSSION QUESTIONS

1. *What is a stakeholder? What are some common groups of stakeholders in healthcare?*

Stakeholders are those who have some claim on and/or obtain some benefit from an organization. Ultimately, organizations exist for the benefit of their stakeholders.

Stakeholders in healthcare include employees, physicians, community members, patients, suppliers, and stockholders (for-profit public companies).

2. *Why would groups' or individuals' interest in and power to influence an organization determine whether they are key stakeholders? What other factors might be considered?*

Key stakeholders need to have both a deep interest in the organization and the power to influence the actions and outcomes of the organization. In determining strategic intent and other strategic planning functions, input from the most important stakeholders must be obtained. As mentioned, many different stakeholder groups exist—far too many to involve. Therefore, focusing on the core group who have a strong interest in and the potential to influence the organization is important.

3. *Does an organization's strategic intent always need to specify a mission, a vision, and values separately? Why or why not?*

Some organizations successfully integrate their mission, vision, and values into one statement and do not separate each in its own document. The important thing is to articulate a strategic intent that leads and drives the organization toward a desired future, regardless of how that intent is expressed on paper. However, breaking the three components of the strategic intent into separate statements seems to be clearer and can better assist an organization in using its strategic intent.

4. *How might an organization's culture reflect its established values?*

Values should create the ethical environment in which all employees function. Values should be used to make decisions and resolve conflicts. However, for values to function as a guide, all stakeholders should be aware of the values, accept them, and integrate them into their daily decisions and actions. To facilitate this, the values should be incorporated into the employee annual evaluation process and be reflected in every key decision made.

5. *What are the three essential components of a mission?*

The essential components are (1) the services and/or products offered, (2) the values/standards that distinguish the organization, and (3) the market(s) in which the organization operates.

6. *Why do many organizations fail to use their mission and vision effectively?*

Too often, the mission statements of organizations in the same industry are too similar, lacking any distinctive element that could make the mission stand apart from the competitors'. In addition, unfortunately, many mission statements bear little resemblance to their organizations' actual focus or purpose. The statements can be too long and may not actually be used to guide the organization. To be meaningful, a mission should be direct and distinctive.

7. *What is the purpose of a vision?*

A vision should describe the desired future state of the organization. Clearly articulated and widely held visions can be very motivational for employees. Stakeholders should understand and use the vision to craft goals and strategic actions. The vision should be intricately tied to the employees' work so that they feel proud and excited to be part of something much bigger than themselves. A vision should also challenge and stretch the organization's capabilities and image of itself. It should set a time horizon of at least a period of five to ten years.

An Orthopedic Group Decides to Construct a Specialty Hospital

Case Summary

This case examines the development and operation of a specialty orthopedic hospital. OrthoIndy is one of the largest single-specialty orthopedic groups in the United States. Because of its large size and desire to improve the quality of care, the group built and began operating an orthopedic hospital. Creating a hospital allowed the orthopedists to construct a state-of-the-art, patient-pleasing facility and to concentrate their practice at one facility and earn high profits.

Potential Use

This case can be used primarily during a discussion of focused strategies (covered in chapter 3) and secondarily during a discussion of the relevance and application of missions (covered in chapter 6).

Teaching Objectives

This case should teach students how to do the following:

- Perceive the advantages and disadvantages of focused strategies and their effect on different stakeholders
- Recognize the driving force of a mission statement
- Assess the potential effectiveness and challenges to consumers of a focused strategy
- Analyze how a focused hospital would affect other general acute care hospitals

Teaching Approach

This case can be used to introduce and evaluate a number of strategy concepts. It demonstrates how a large number of single-specialty physicians can have sufficient market power to create their own hospital and compete with existing facilities.

One of the key advantages to the physicians is that specialized hospitals tend to earn higher profits. Two years after the OrthoIndy hospital opened, it had a profit margin of 27 percent—vastly higher than the average US profit margin of 2 to 4 percent. Ask the students to explore why this might be so. Discuss the following topics:

- **The mix of patients that specialty hospitals tend to attract.** Specialty hospitals are almost always located in affluent areas and may restrict the volume of Medicaid patients. Is that a negative? Which stakeholders are affected positively? Negatively?
- **Lower costs due to the elimination of costly services required by general hospitals.** Often, many services in general hospitals (e.g., emergency department, obstetrics, burn center) lose money on their own and have to be subsidized by other, more profitable services (e.g., surgery). What are the possible effects on general hospitals of building specialty hospitals?
- **Improvement of quality.** Reports in 2012 by the Centers for Medicare & Medicaid Services ranked physician-owned hospitals high in terms of quality of care. However, some claim that this high quality may be a result of physician-owned hospitals' practice of selecting healthy and wealthy patients.
- **The mission of OrthoIndy.** How does this mission justify the specialty hospital? Other than constructing its own hospital, could the group have fulfilled its mission by working with local general hospitals and through other means? What are some alternatives?

The Struggle of a Safety Net Hospital

Case Summary

This case explores the struggles of Wishard, a public hospital with a primary mission to care for the poor. About 90 percent of Wishard's patients were covered by either Medicare or Medicaid or were uninsured, and other area hospitals often referred their low-pay or no-pay patients to Wishard. These area hospitals were amid massive building and expansion efforts, which heightened the competition among local providers for paying patients. As a result of these financial pressures, Wishard's leaders had to consider a variety of options to remain operating in the future. To reduce its losses, Wishard implemented a significant increase in copayments in its clinics and emergency department. Some of Wishard's leaders were concerned that the higher copays would keep the poor from seeking care and would increase overall costs.

Potential Use

This case can be used during a discussion about missions and stakeholders (covered in chapter 6) or about external and internal environments (covered in chapters 7 and 8).

Teaching Objectives

This case should teach students how to do the following:

- Perceive the difficulties of aligning strategic decisions with the organization's mission
- Analyze the potential effects of increasing copays at a public hospital
- Understand the varying nature of competition in the healthcare industry
- Suggest other strategic directions, given the market that Wishard might select

Teaching Approach

The students could be asked to examine the mission of Wishard to determine what implications the mission would have for the organizational strategies. Ask the students: How does a mission to care for the poor affect Wishard's finances and capital constraints? What are the primary sources of revenues for public hospitals? How is Wishard constrained in its market to generate revenues?

Discuss what would happen if a public hospital like Wishard closed. What impact would the closing have on other hospitals in the market? Have students read this short blog post: wishardyes.blogspot.com/2009/10/area-hospital-ceos-top-latest-list-of.html. In 2009, Wishard was struggling to find funds to replace its worn and outdated facilities. According to the blog post, the CEOs of other area hospitals came out to support Wishard's replacement efforts.

In light of the possibility of closure, was Wishard's strategy to increase its copayments a good strategy? What other strategies could Wishard have chosen, other than those listed in the case? Discuss these options.

Build a New Service Because of a Large Donation?

Case Summary

This short case describes an actual situation in which a wealthy philanthropist has a relative who experiences kidney problems and requires dialysis that is not currently available in the rural area. The philanthropist wants to help and publicly announces that she will give \$8 million to establish a community dialysis center. The regional vice president for the system has concerns that there will not be adequate volumes to sustain the service and that a local service will diminish the volumes to the regional center. In addition, the volumes at the new location might be too low to ensure high quality. The local CEO is looking for direction from the regional vice president.

Potential Use

This case can assist in teaching concepts regarding shareholders and mission (addressed in chapter 6) and the allocation of strategic resources (addressed in chapter 14).

Teaching Objectives

This case should help students learn the following:

- How to identify and deal with key stakeholders
- Methods for better allocating scarce resources

Teaching Approach

Key stakeholders are categorized in chapters 6 and 10 by their importance and alignment with executives. This case provides a relatively common situation where a key community stakeholder perceives the needs and publicly announces an allocation of resources that do not match with the executives in the healthcare system. As indicated in chapters 6 and 10, stakeholders need to be involved to clearly understand an organization's strategic intent.

Begin discussing key stakeholders and who might be most influential and engaged, given this case. The philanthropist certainly has influence but may not have been adequately involved in developing and understanding the healthcare system's strategic objectives. Given that the philanthropist has publicly announced the \$8 million gift, if you were the vice president, what type of analysis would you ask the CEO to make before either accepting or rejecting the

decision? Some of the critical factors would be other alternatives available and acceptable to the philanthropist that better align with the organization's objectives. Share exhibit 11.2, that which demonstrates the effects of stakeholder and executive perceptions on alignment. Ask how the alignment could better be achieved. Answers may include meeting with the philanthropist and educating him on the mission and strategic objectives. Another answer might be to seek to find donations to provide the operating capital to run the dialysis unit.