

This is a sample of the instructor resources for *Healthcare Strategy: In Pursuit of Competitive Advantage* by Roice Luke, Stephen Walston, and Patrick Michael Plummer. This sample contains the instructor notes and PowerPoint slides for Chapter 3.

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Chapter 3: Strategic Intent

Overview

Chapter 3 directs attention to the delicate relationship between an organization's strategic intent (its values, missions, and visions) and its strategies. The importance of the organization's moral and directional underpinnings is stressed and the impact of these on strategy is illustrated.

Here are the main points of the chapter:

- Values, missions, and visions reflect the perspectives and preferences of key stakeholders (often an organization's top executives) as well as the constraining influence of broader institutional forces (barriers).
- Barriers are powerful norms and accepted realities that can strongly influence strategic choice and outcomes.
- Strategic intent animates the processes of strategic decision making and implementation. Of the three statements, values should be most enduring because they provide the ethical foundations of an organization's strategic choices. On the other hand, because visions are more directional in character, they span the ethical and strategic dimensions of organizations.
- Examples of the interrelationships between strategy and the three statements are provided in the chapter, along with suggested processes for making the strategic intent explicit.

Outline

Strategic intent: values, mission, vision

- a. Key purposes
 - i. Establish moral context within which strategic decisions are made
 - ii. Provide guideposts for organizational decision making
- b. Central problems
 - i. Devolve into mere institutional gestures or platitudes
 - ii. Are too often used to placate stakeholders
 - iii. Are simply disregarded
 - iv. Are not connected to strategy

Concreteness versus fluidity

- a. Need to strike a balance between providing moral foundations and adapting to changing environmental conditions
- b. Need to relate to strategy, which is not easy to do
 - c. If statements contain some proprietary content, they might not be shared fully outside of the organization
 - d. Values are less proprietary, visions are more proprietary (Strategies are highly proprietary)
 - e. Vision needs to reflect changes in environment and strategy

Who formulates strategic intent?

- a. To create buy in, all organizational members/stakeholders need to be involved
- b. Visions, being more proprietary, might need to be formulated by top leadership
- c. Who takes the initiative?
 - i. One view: the board
 - ii. Another view: management

Stakeholders

- a. In healthcare, they often represent very diverse composites of special interests
- b. Often have conflicting value structures
- c. Interests need to be balanced in expressions of strategic intent
- d. Expectations/values can be very powerful and thus highly constraining in terms of strategic choice
- e. Who are they?
 - i. Individuals and organizations that have a stake or investment in and can influence the conduct and outcomes of healthcare organizations
 - ii. Range from patients to payers
- f. Some exert little influence, others a great deal of influence
- g. All have expectations, rights, and responsibilities, even if not often made explicit
- h. Their number increased dramatically in healthcare over the years
- i. Collectively, they both legitimize and compromise strategic choice

Formulating strategic intent

- a. Legitimized values of stakeholders: filtered through the expressions of strategic intent
- b. Filters and filtering processes differ by organization, especially by ownership type

Values

- a. Shared and enduring
- b. Employees often best to judge the extent to which values are inculcated within an organization's culture, mission, and strategy
- c. In reality, statements reflect mostly the values of the leadership group
- d. To avoid ethical drift, values have to be explicit and visible
- e. Written and published values serve as visible reminders
- f. Formulating values should be a process, not a one-time event
- g. If values are not imbedded, organizations risk being driven by contingent ethics
- h. Should be fairly constant, but should be revisited in context of organizational and environmental change

Process for establishing values

- a. Access stakeholder views
- b. Identify and resolve conflicts
- c. Seek to create distinctive values

Missions

- a. Express core purposes, current and past
- b. Should
 - i. be forward looking: provide a conceptual bridge from the present to a desired future
 - ii. include measurable, definable, and actionable content
 - iii. contain both product and market terms (e.g., What distinct products does the organization offer and to whom? How does this mission differentiate the organization?)
 - iv. not be too general or ambiguous
 - v. provide sufficient content to marshal an organization's forces in the pursuit of strategic objectives
 - vi. be compatible with an organization's strategic ideas
 - vii. distinguish the organization from others in its markets
 - viii. incorporate a defined, credible market, not one that is nondescript or "pie in the sky"
 - ix. not be too restrictive
 - x. not contain strategically untested ideas
 - xi. be sufficiently descriptive to emphasize core organizational skills, but broad enough to allow for creativity and innovation
 - xii. reflect a company's positive history and traditions, management preferences, distinctive competencies and resources, and existing or attainable competitive strengths
 - xiii. call individuals to action (stimulate, motivate)

Visions

- a. Reflect where an organization wants to go (which ties them to strategy)
- b. Should
 - i. be strongly grounded in environmental assessments and strategic thinking
 - ii. point to where the organization wants to go and reflect its desired (achievable) future
 - iii. answer the following questions (Pointer and Orlikoff 2002):
 1. Why should the organization exist, and what should it exist for?
 2. In what ways should it be different from what it is now?
 3. What should it not become? How should it remain the same?
 4. What must the organization do to advance the interests and meet the needs and expectations of key stakeholders?
 5. What type of clients should the organization serve?

6. Whom should it be serving that it is not?
7. What types of clients should it avoid?
8. What types of benefits, services, and products should the organization provide?

Objectives

At the conclusion of this chapter, students should understand the following:

- The purpose of the value, mission, and vision statements
- That values, mission, and vision comprise an organization's expressions of strategic intent
- How difficult it is to formulate strategic intent that reflects strongly held and actionable values
- How difficult it is to link strategic intent to strategy formulation process
- Stakeholders and their influence on the formulation of strategic intent
- How institutional norms and diverse institutional barriers affect (especially in healthcare) the outcomes of values, missions, and visions
- How to formulate a company's values, mission, and vision

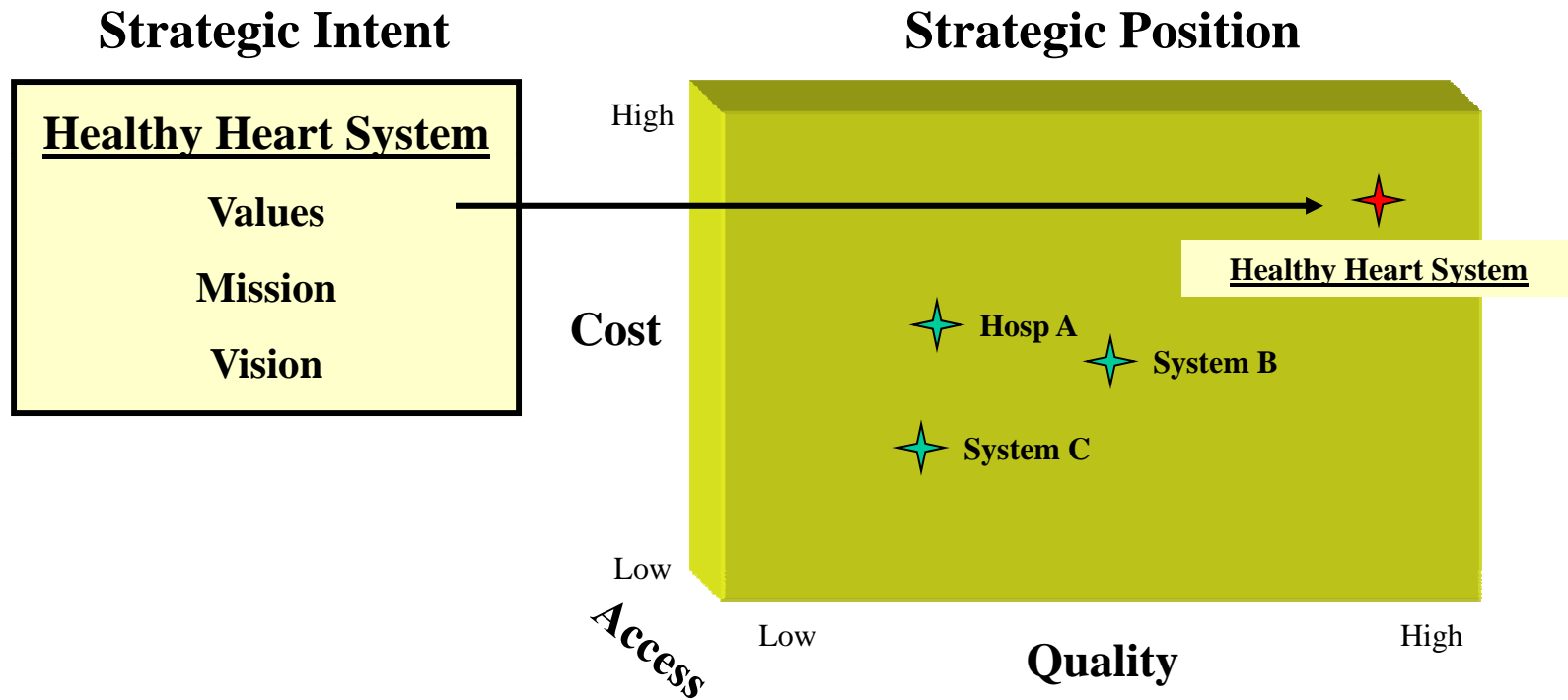
Teaching Suggestions

1. Begin this chapter discussion by quoting the preamble to the Declaration of Independence. Then, ask questions such as, What values are inherent in this statement? What vision of the founders does it express for the future of the nation? How has this statement influenced the strategies pursued by the federal government more than 200 years ago and today? How might such a statement by the government differ from one produced by a competitive healthcare organization, if at all?
Have students examine and compare the strategic intent of several prominent healthcare organizations (use the web for this purpose.) Key in this assignment is the discovery of the relationship between strategic intent and strategy. This relationship is not always easy to show, but it is worth the search. Students should know that such statements can be functional in strategic terms and do not merely serve as institutional gestures designed to placate stakeholders and the public at large.
2. To be meaningful, strategic intent must reflect the organization's basic values and must be consistent with managerial actions. Again, have students visit web sites to explore how these statements reflect ownership type (for-profit, not-for-profit, and Catholic). Point out that inconsistencies are normal. Statements of strategic intent at least serve as visible reminders, as guideposts to help organizations reconcile values with proprietary actions. Also, show by example how acting contrary to the expressed strategic intent can detrimentally affect an organization; note the many organizations—HCA, Tenet, and a number of not-for-profit and Catholic organizations—that have gotten themselves into legal difficulties in recent years.
3. Make a list of the major stakeholders for selected systems, and then discuss which ones are most likely to have affected the systems' published strategic intent as well as

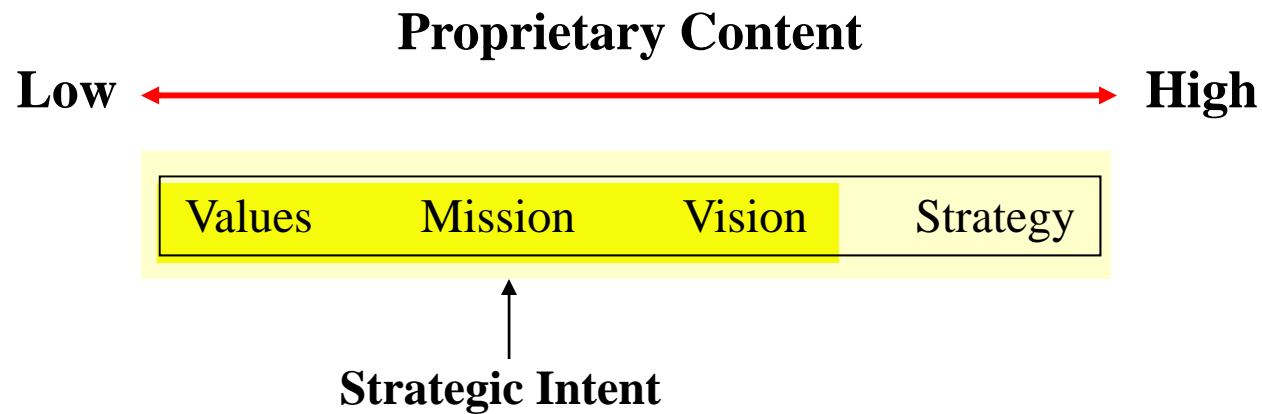
their strategies. (The answers for these two might not be the same.) This should lead to a discussion of stakeholders, their roles, organizational purposes in formulating statements, and so on.

4. Discuss how written values can prevent contingent ethics and ethical drift. Put this in the context of a specific healthcare organization such as the All Saints Health System mentioned in the book. Review the steps of establishing values. Likewise, present the steps to develop a mission statement. Consider as well the likelihood that those processes align in any way with the processes of strategic decision making.
5. Have students develop their own vision and mission statements. A good reference for such an assignment and for general information on personal and corporate mission statements is *Principle-Centered Leadership* by Stephen R. Covey, pages 288-301 (Summit Books, 1991). Developing a personal mission statement allows students to better understand issues of process and relevance. As Covey states, "It's important that you keep your mission statement current and congruent with your values." Discuss whether this is also true for healthcare organizations.

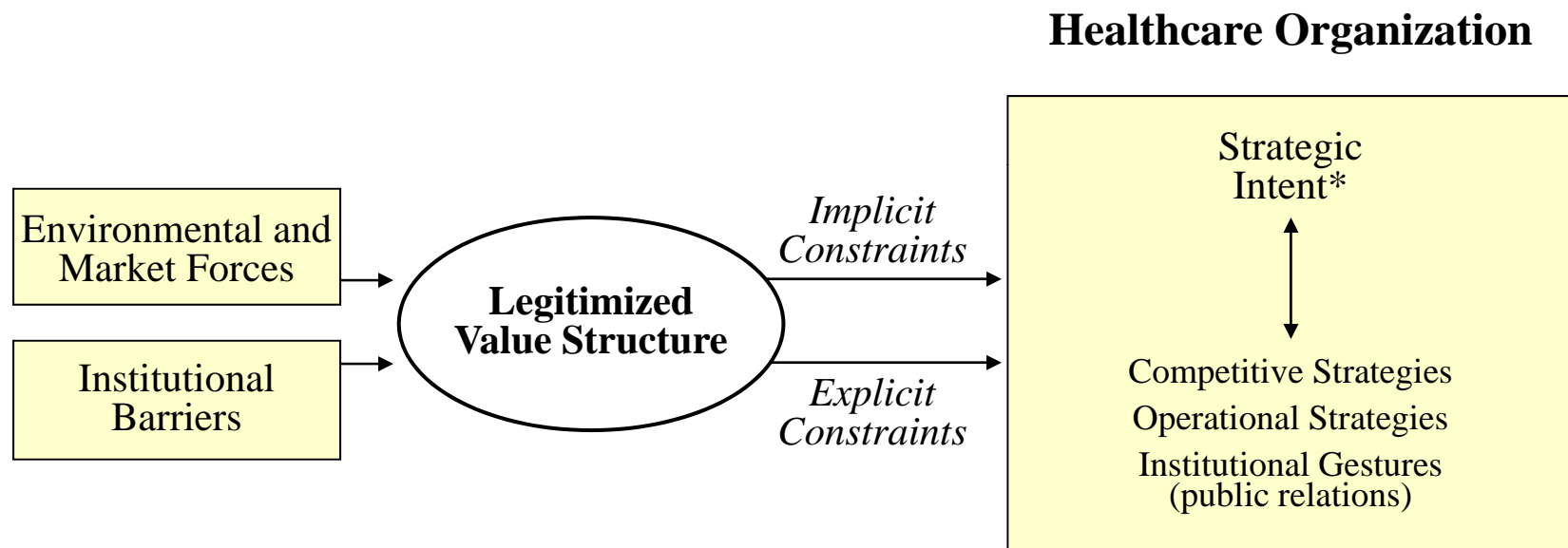
Strategic intent - drives position



Proprietary spectrum -- strategic intent



Determinants of strategic intent and strategy



* Statements of an organization's values, mission, and vision

Strategic intent -- key purposes

- Provide guideposts for organizational decision making
- Establish moral context within which strategic decisions are made

Strategic intent -- central problems

- Devolve into mere institutional “gestures” – platitudes
- Often used to placate stakeholders
- Are disregarded
- Are not connected to strategy

Concreteness vs fluidity

- Need to strike a balance between providing moral foundations and adapting to changing environmental conditions
- Need to relate to strategy (which is not easy to do)
- If contain some “proprietary” content, might not be shared fully outside of the organization
 - Values are less proprietary, visions are more (strategies, of course, are highly proprietary)
- Vision statements need to reflect changes in environment and strategy

Two views -- on who should lead the formulation of strategic intent?

- **Management** -- increases the prospect that:
 - Strategic intent and strategy will be linked, or
 - Strategic intent will devolve into a mere institutional gestures
- **The board** -- increases the prospect that:
 - Strategic intent will reflect the interests of stakeholders
 - The organization's "overseers" will buy into the mission and goals of the organization

Stakeholders -- who are they?

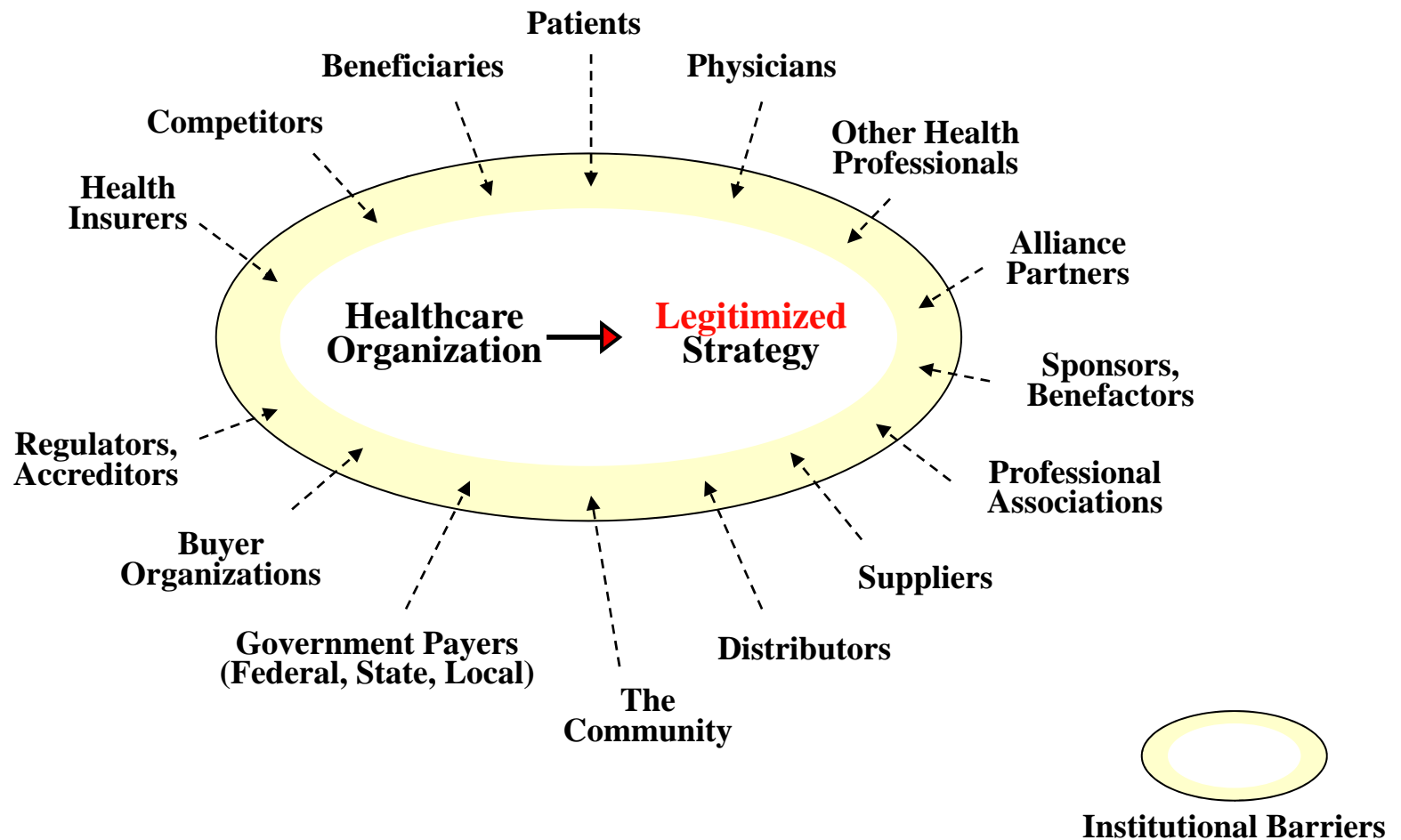
- Individuals and organizations that have a “stake” or investment in and can influence the conduct and outcomes of an organization
- In healthcare -- range from patients to payors
 - Some exert little influence, others a great deal of influence
 - All have expectations, rights and responsibilities, even if not often made explicit
 - Their number increased dramatically in healthcare over the years
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Stakeholder values

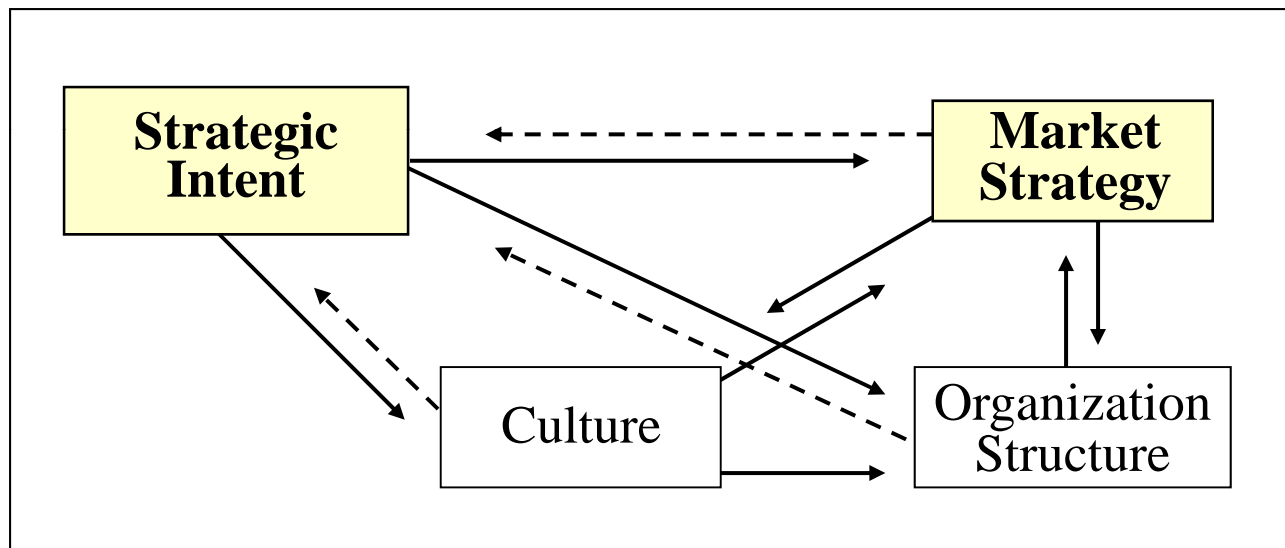
-- legitimize strategic intent/strategy

- Values filtered through the expressions of strategic intent, ultimately (should) affect strategic choice
- Filters and filtering processes differ by organization -- in healthcare, they especially differ by ownership type (for profit, not for profit, Catholic, public)

Diverse stakeholders and institutional barriers



Decision-making flows/feedback -- strategic intent and strategy



—▶ Decision-Making Flows
- -▶ Feedback

Values

- Shared and enduring
- In reality, statements reflect mostly the values of the leadership group
- Employees often best to judge the extent to which values are inculcated within an organization's culture, mission and strategy

Values -- avoiding “ethical drift”

- Need to make them explicit and visible
- Written and published values serve as visible reminders
- Formulating values should be a process, not a one-time event
- If values not imbed, organizations risk being driven by “contingent ethics”
- Should be fairly constant, but revisited in context of organizational and environmental change

Missions

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 - Not be too general or ambiguous
 - Not be too restrictive
 - Be sufficiently descriptive to emphasize core organizational skills, but broad enough to allow for creativity and innovation
 - Reflect a company's positive history and traditions, management preferences, distinctive competencies and resources, and existing or attainable competitive strengths

Missions

- Should (cont.):
 - Provide sufficient content to marshal an organization's forces in the pursuit of strategic objectives
 - Be compatible with an organization's strategic ideas (and vice versa)
 - Not contain strategically untested ideas
 - Contain both product and market terms (e.g., what distinct products does the organization offer and to whom? How does this mission differentiate the organization?)
 - Distinguish the organization from others in its markets
 - Incorporate a defined, credible market, not one that is non-descript or "pie-in-the-sky"
 - Call individuals to action (stimulate, motivate)

Visions

- Reflect where an organization wants to go (which ties visions to strategy)
- Should:
 - Be strongly grounded in environmental assessments and strategic thinking
 - Reflect the organization's desired (achievable) future

Visions

- Should answer the following questions (Pointer & Orlikoff, 2002)):
 - Why should the organization exist and for what should it exist?
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Mintzberg on vision (and formal planning)

“... if you have **no vision** but only formal plans, **then every unpredicted change in the environment makes you feel like your sky is falling.** It comes as a fitting lesson, therefore, that the Japanese have been able to impose so much of that “turbulence” on American business in good part because they have been informal learners more than formal strategic planners.” (1994, p. 210)

Vision, a **key to culture**

“The corporate vision is the most fundamental statement of a corporation’s values, aspirations, and goals. **It is an appeal to its members’ hearts and minds. It must indicate a clear understanding of where the corporation is today and offer a road map for the future.**” (Quigley, 1993, pp. 5-6)

Types of visions

- **Grand visions** (clouds parting)
- **Bland visions** (sticking to the knitting)
- **No visions** (no analytic insight)

Charles Wang

-- a founder of Computer Associates

“People ask us, “In the beginning, **what was your vision?””**

“Our vision? Meet payroll next week. That was our big vision. We took it a week at a time. And you do whatever is necessary.” (Jager and Ortiz, 1997, p. 129)