

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

The complete instructor materials include the following:

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

This sample includes the PowerPoint slides, answers to chapter questions, and case guidelines for Chapter 1, “Strategy and Strategic Management.”

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 1: STRATEGY AND STRATEGIC MANAGEMENT

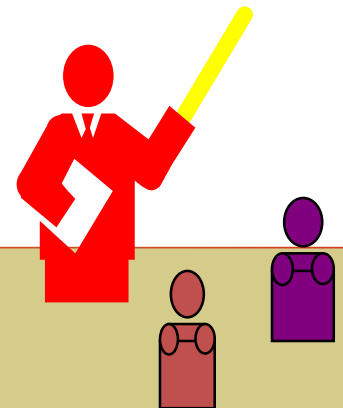
PowerPoint Presentation

Strategic Healthcare Management: Planning and Execution,

by Stephen L. Walston

LEARNING OBJECTIVES

- Comprehend that *strategy* has many definitions, and its meaning depends on one's perspective.
- Understand the role of strategy in moving a healthcare organization to achieve its goals, grow its business, and improve its performance.
- Recognize the use of prospective and emergent strategies.
- Be aware that business strategies evolve over time as a result of changing circumstances and managerial modifications.



Varying Definitions of *Strategy*

- Little agreement
- Difficult to define
- A formal plan, process, positioning, etc.?

What is strategy?





Strategy addresses...

- how management intends to grow the business;
- how the organization relates to other companies in terms of competition and collaboration;
- how the functional components of the business relate and coordinate with each other;
- which services and programs will be emphasized and receive greater relative allocation of resources; and
- what the relationship and culture among employees will be.

- *Strategy* literally means “the art of the general.” It is from the Greek word *strategos*, which signifies the planning of a military campaign.
- Sun Tzu taught the importance of positioning in military strategy, establishing objectives based on environmental conditions and the subjective beliefs of the opponents.

ANCIENT HISTORY OF STRATEGY

- *Strategos* (Greek term): Planning a military campaign
- Sun Tzu: *Art of War* (book)
- Phillip II and Alexander the Great
- Sextus Julius Frontinus: *Stratagems* (book)



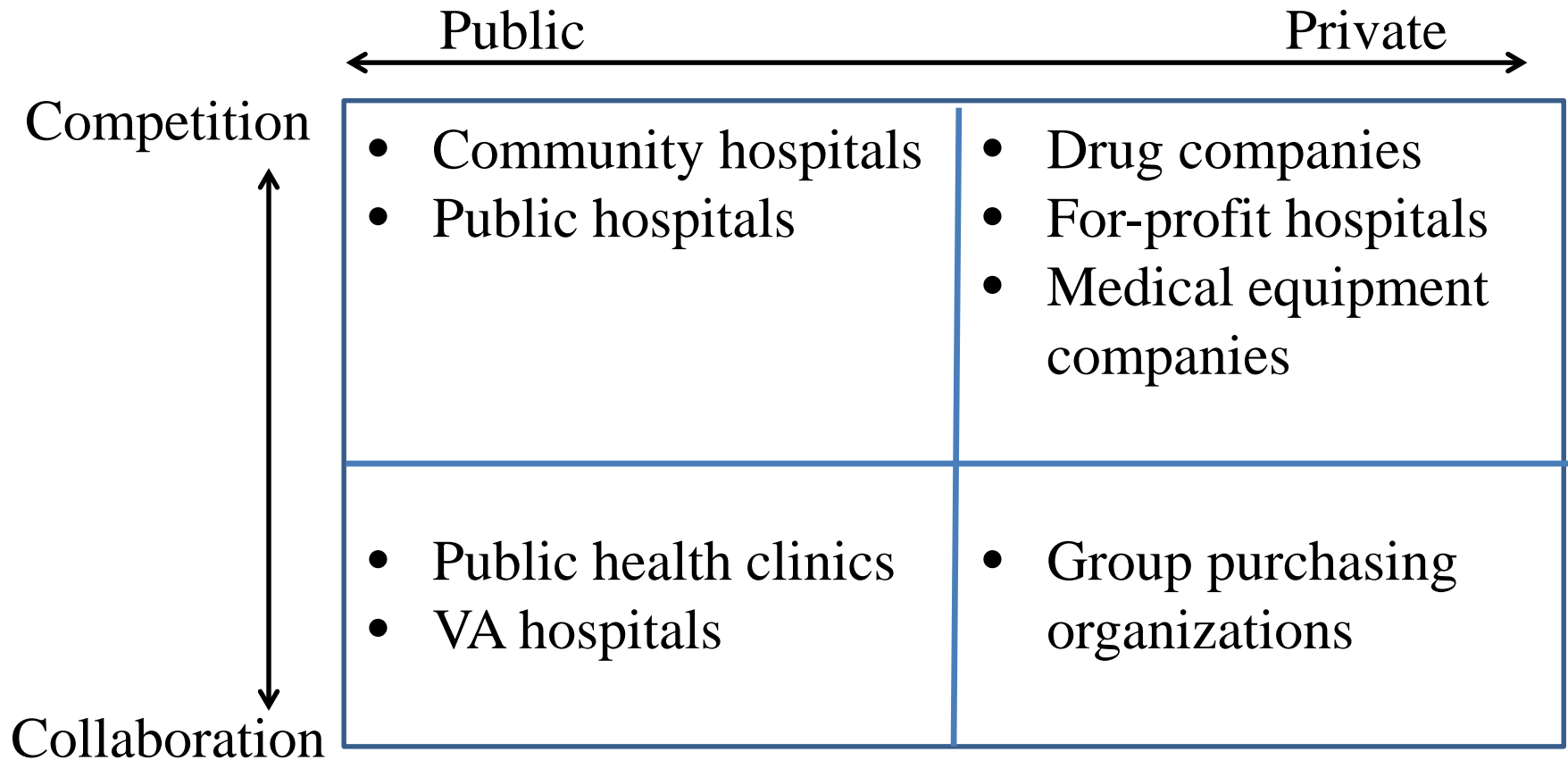
DEVELOPMENT OF STRATEGY IN BUSINESS

- Industrial Revolution
- Alfred Sloan: Past CEO, president, and chair of General Motors Corporation
- Chester Barnard: Past president of New Jersey Bell

IMPORTANCE OF STRATEGY IN HEALTHCARE

- 1970s to today: Growth of for-profit healthcare organizations – 6% to 21%
- Differences due to mission
- How does competition differ from cooperation?

PURPOSE/STRATEGIC INTENT

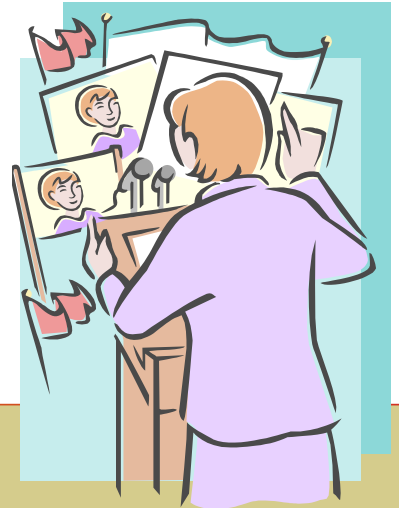


STRATEGY HELPS US MAKE BETTER DECISIONS

Good strategy
+ Good strategy implementation
= Excellent strategic outcomes

DRIVERS OF CHANGE IN HEALTHCARE

- Healthcare technology
- Demographic shifts
- Political forces
- Global forces



HEALTHCARE TECHNOLOGY

- Radiological, diagnostic equipment (e.g., CT, MRI, PET, ultrasound) opens new diagnostic avenues.
- Prescription drugs contribute greatly to people's health and healthcare cost.
- Advances in genomics and genetics may transform much of medicine in the future. Developments in gene testing, gene therapy, and pharmacogenomics are predicted to have profound effects on healthcare in the coming decades.

DEMOGRAPHIC SHIFTS

- Falling birthrates
- Older population
- Multiple chronic diseases
- Increased diversity

POLITICAL FORCES

- Political control of Medicare and Medicaid
- Patient Protection and Affordable Care Act of 2010
- Future of Healthcare



GLOBAL FORCES

- Competition for personnel
- Medical tourism

PROSPECTIVE AND EMERGENT STRATEGIES

- Prospective and prescriptive: Forward planning
- Emergent (retrospective or realized): Looking backward to determine past patterns

VALUE AND PURPOSE OF PROSPECTIVE AND EMERGENT STRATEGY

Prospective Strategy

Emergent (Retrospective or Realized) Strategy

Align actions with mission and vision

Understand competitor's strategy

Predict resource needs

Evaluate own strategy

Allocate capital and personnel to projects

Enhance organizational learning

Position organization in competitive space

Adapt to uncertain environments

Strategy in many industries is prospective or emergent by nature.

- **Prospective: Biomedical drug discovery**
- **Emergent: Pharmaceutical chemical drug discovery**

MINI-CASE DISCUSSION

- What was Humana's strategy?
- How did their strategy develop?

STRATEGIES CAN BE DIFFERENT

- Strategies are developed to guide behaviors and achieve organizational mission, vision, and goals.
- Confederate general Nathan Bedford Forrest's guide to winning was "Get there first with the most men" (Wills 1998).

Deliberate Strategy

Emergent Strategy



Factors Affecting Use of Strategy Type

Low uncertainty

Slow change in

Consumer preferences

Technology

Written plans / proactive

Clear mission

Long time frame

High uncertainty

Fast change in

Consumer preferences

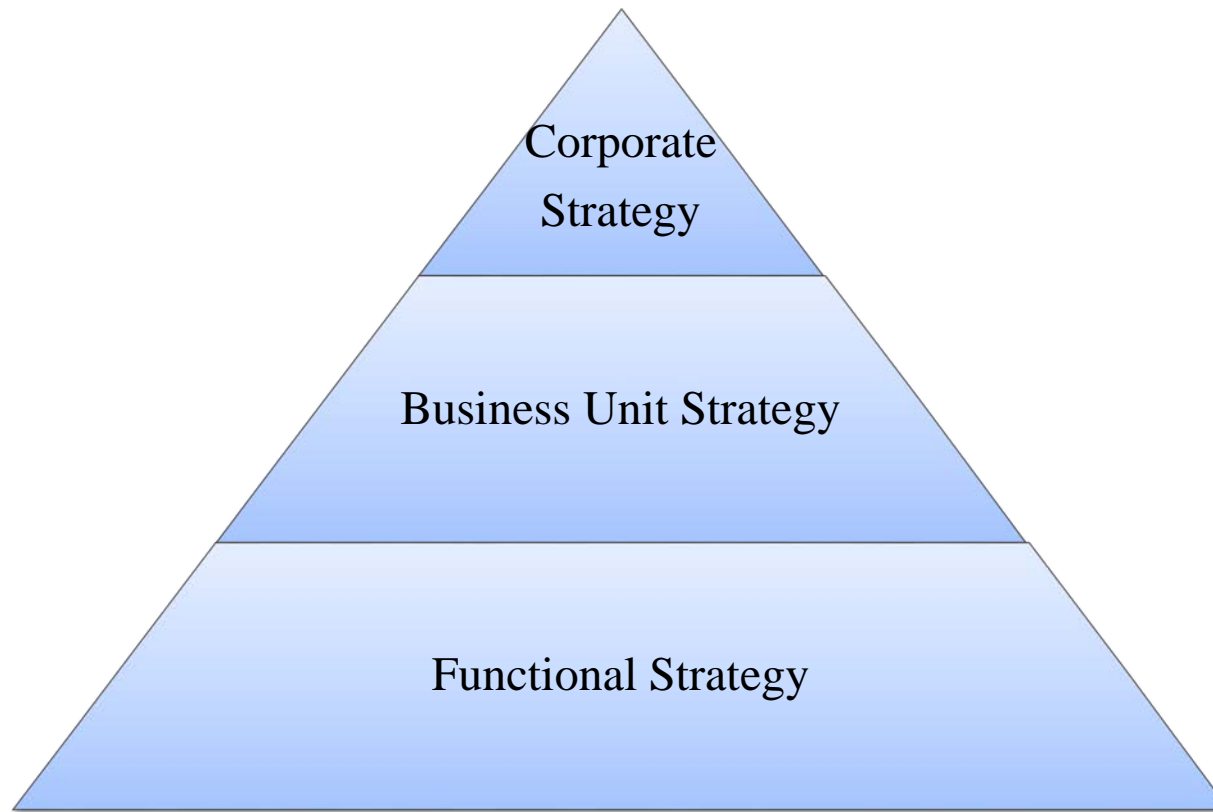
Technology

No plans / reactive

Unclear Mission

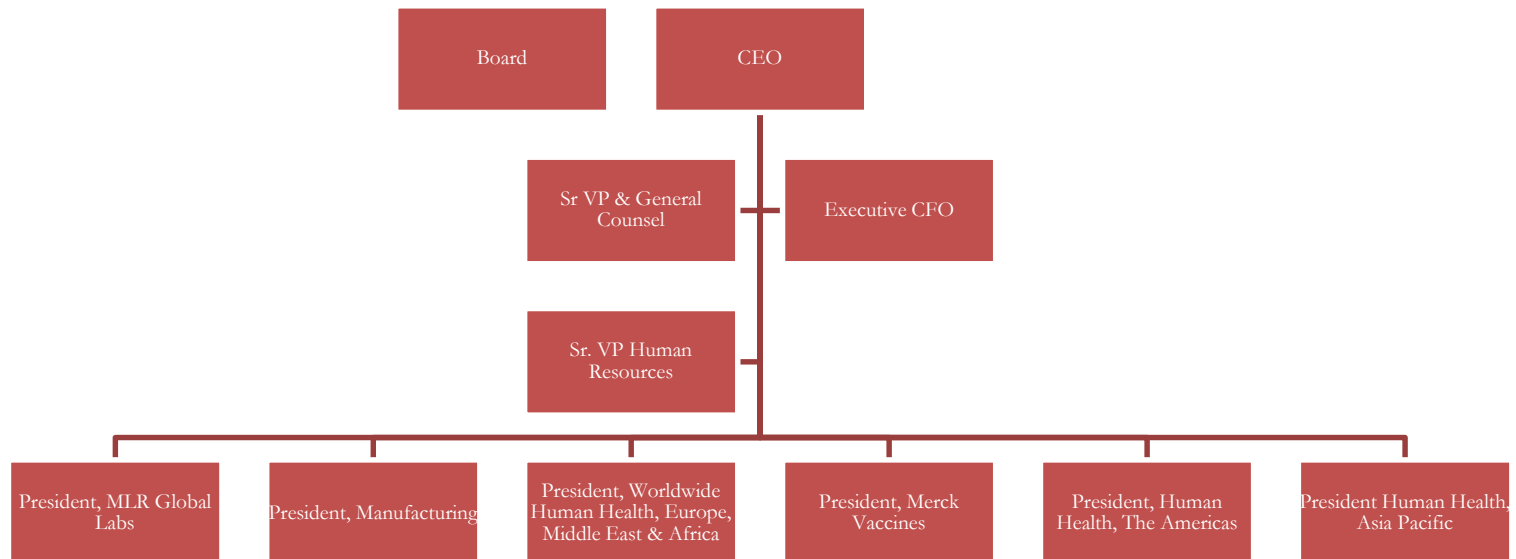
Short time frame

LEVELS OF STRATEGY



EXAMPLE: MERCK & CO., INC.

Merck's mission from its corporate strategy: "We have made it **our mission** to provide innovative, distinctive products and services that save and improve lives [and] satisfy customer needs and to be recognized as a great place to work."



In your opinion, why do people *not* do

- strategic planning?
- strategic thinking?



CHAPTER QUESTIONS

1. What is a prospective strategy?
2. What is an emergent strategy?
3. Why is it important to understand the difference between prospective and emergent strategies?
4. Why is there an imperfect matchup between prospective and emergent strategies?
5. What might interfere with the realization of a prospective strategy?
6. How might you manage the balance between design and emergence strategizing processes in an organization?
7. What are the major factors that distinguish levels of strategies in an organization?

CHAPTER CASE

- Read the case “The Virulent Virus.”
- Create teams of three to four students.
- Reach a consensus and recommend a decision.



CHAPTER ASSIGNMENT

- Read the 1996 article “What Is Strategy” by Michael Porter, in *Harvard Business Review* 74 (6), pages 61–79.
- Write a one-page (single-spaced) paper on what strategy is to you, and provide three examples of different types of strategies exhibited by healthcare organizations.

QUESTIONS?

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ANSWERS TO CHAPTER QUESTIONS

CHAPTER 1

1. *What is a prospective strategy?*

It is a forward-planning action that aims to prospectively address challenges and goals. Often, this strategy results in the production of some form of written document, the purpose of which is to guide future decisions. Prospective strategy is most effective when used to align actions with an organization's mission and vision, predict resource needs, allocate capital and personnel, and position an organization within a market. Prospective strategies work better in environments of low uncertainty, marked by consumer preferences and technology changing at a slower rate. These environments need written, proactive plans; a clearer mission; and longer time perspectives. However, a prospective strategy is also important in situations of environmental change to assist in realigning the organization with changing pressures and demands.

2. *What is an emergent strategy?*

Also called a *retrospective strategy*, an emergent strategy looks backward to examine the decisions the organization made and the patterns that occurred in the process of identifying the realized strategy. The use of an emergent strategy allows an organization to better understand competitors' strategies, evaluate its own strategy, and enhance organizational learning. Emergent strategies may be required in environments of high uncertainty, marked by rapid changes in consumer preferences and technology. Organizations in such an environment may have unclear missions, be reactive, and have a shorter time perspective.

3. *Why is it important to understand the difference between prospective and emergent strategies?*

Organizations should use both prospective and emergent strategies in developing and implementing their organizational goals. Prospective strategies encompass traditional strategic plans, which establish important forward-thinking goals and actions. Understanding emergent strategies informs organizations of their competitors' actual, existing strategies and assists in predicting their future actions and reactions. Likewise, examining how strategies actually emerge allows the organization to learn and better devise methods to improve its strategy development and implementation.

4. *Why is there an imperfect match-up between prospective and emergent strategies?*
Organizations rarely can implement exactly what is written in their prospective plans due to shifts in the environment, actions of competitors, turnover of key personnel, and other factors. In addition, written plans can be flawed and be based on false assumptions.
5. *What might interfere with the realization of a prospective strategy?*
As mentioned in the answer to question 4, shifts in the internal and external environments can interfere with the realization of a prospective strategy. Likewise, the initial plans may be flawed due to false assumptions leaders may hold.
6. *How might you manage the balance between design and emergence strategizing processes in an organization?*
Personnel responsible for developing organizational strategies need to understand their competitors' emerging strategies and use that knowledge to create their prospective strategies. In addition, an organization needs to both design their strategies and then be willing to alter them according to new information. This requires a balance between prospective design and reaction to new information.
7. *What are the major factors that distinguish levels of strategies within an organization?*
Generally, only large organizations have corporate offices and related corporate strategies. Corporate-level strategies guide the activities and direction of the organization's strategic business units, define the organizational mission and vision, and identify how and where to allocate capital funds and which businesses to enter or exit. Business-level strategies focus on specific product lines or services, and managers translate the corporate direction into concrete strategies for their individual business lines. Functional-level strategies are below business strategies and may occur at a division, department, or project level. These are specific strategies that are under the direction of both business- and corporate-level strategies. Functional strategies are the means of producing and providing products and services to customers.

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CASE DISCUSSION GUIDELINES

THE VIRULENT VIRUS

Case Summary

To accomplish a goal, a person is given a specific span of time to obtain a sample and then return. The search for the sample uses up most of the person's allotted time, and the person encounters unexpected problems and injuries along the way. Now, the person has only two weeks left to return and has to select one of four choices to determine the path back.

Potential Use

This case can be used as an overview of strategy (covered in Chapter 1). It also can be used to discuss many concepts of strategy.

Teaching Objectives

This case should teach students how to do the following:

- Perceive the differences in risk preference and the effect on strategy.
- Recognize that internal and external environmental factors affect strategy.
- Assess and choose an appropriate strategy for the person, given personal and group preferences.
- Analyze mission differences on selected strategies.

Teaching Approach

The instructor should introduce the case by discussing how risk preferences, personal (and organizational) mission, and environmental factors influence the choices people make. Students can be asked to review the case and choose one of the four options. The class can then be broken into small groups that will discuss the case and collectively select one option. The instructor can jot on a chalkboard/whiteboard the number of votes (from both individuals and groups) received by each option and then ask the students why they chose their options.

The instructor should discuss with the class the following key points of each option:

- **Option 1: Wait for the rains to end.** This option is the safest, so those who are most risk averse generally choose it. The goal and mission of gaining large sums of money will not be achieved by this option, as the sample will not be of any use. Those who select this option do not have a strong preference for money and are concerned for their personal safety.
- **Option 2: Cross the Paraguayan River basin.** This is the option for the young and entrepreneurial types, who are more willing to take risks. It calls for crossing a potentially dangerous river, which could be impassable if it rains. Without heavy rain, the passage could be crossed in seven to ten days, which allows adequate time to submit the sample. However, the risk of death and injury is the highest with this option.
- **Option 3: Go around the head of the river basin.** This is a less risky but longer option. Whether the person can work within the time constraint is questionable, given that the lower limit of the estimated time to cross the head of the river basin is two weeks. The ability to transverse this distance within this time is dependent on the person's physical condition. With an injured left hand and sprained ankle, the person may find walking the distance in two weeks difficult; a self-assessment may be needed to determine his or her healing and walking ability.
- **Option 4: Wait two to four days.** The way this option is presented is a bit deceiving, because it relies on the weather. If a person waits two to four days to make the goal of returning in two weeks, Option 2 will be the only option feasible. If Option 3 is taken (because of weather concerns), the return will take longer than two weeks, unless the estimated travel time is revised. The option of waiting does have an advantage; it allows a better understanding of some key environmental factors.

Overall, the instructor should make certain to discuss issues that affect strategies, including the following:

- Personal mission
- Risk preference
- Person's perception and preferences (There are no wrong or right strategies because choices vary according to personal factors.)
- Internal environmental factors (e.g., person's physical and psychological health)
- External environmental factors (e.g., weather, wild animals, supplies)