

# STRATEGIC MANAGEMENT OF HEALTH CARE ORGANIZATIONS

SEVENTH EDITION



PETER M. GINTER • W. JACK DUNCAN • LINDA E. SWAYNE



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# PREFACE



More than two decades ago, the three of us agreed that health care was experiencing evolutionary, and in some segments revolutionary, change. At that time, we wrote in the Preface of the first edition that clearly health care organizations have “had difficulty in dealing with a dynamic environment, holding down costs, diversifying wisely, and balancing capacity and demand.” Our conclusion was that only a structured strategic management approach that recognized the value of emergent thinking could make sense of such a rapidly changing environment. Our only surprise has been that the rate of change in the health care environment has been even greater than we imagined.

Today, health care organizations have almost universally embraced strategic management as first developed in the business sector and now have developed strategic management processes that are uniquely their own. Health care leaders have found that strategic thinking, planning, and managing strategic momentum are essential for coping with the dynamics of the health care industry and strategic management has become the single clearest manifestation of effective leadership in health care organizations.

In the broadest terms, this text is about leadership; more narrowly, it concerns the essential strategic tasks of leading and managing health care organizations. As a result, the seventh edition continues to advocate the importance of strategic thinking and clearly differentiates strategic thinking, strategic planning, and managing strategic momentum. These concepts represent the central elements of a complete strategic management process that we believe reflects the realities of conceptualizing, developing, and managing strategies.

Specifically, our approach depicts strategic management as the processes of strategic thinking, consensus building and documentation of that thinking into a strategic plan, and managing strategic momentum. Through the management of the strategic plan, new insights and perspectives emerge and strategic thinking, planning, and managing are reinitiated. Therefore, strategic managers must become strategic thinkers with the ability to evaluate the changing environment, analyze data, question assumptions, and develop new ideas. Additionally, strategic managers must be able to develop and document a plan of action through strategic planning. Once a strategic plan is developed, managers maintain the strategic momentum of the organization. As strategic managers attempt to carry out the strategic plan, they evaluate its success, learn more about what works, and incorporate new strategic thinking.

It is our view that strategic control is integral to managing strategic momentum and cannot be thought of or taught as a separate process. Therefore, traditional strategic control concepts are integrated into the strategy development chapters under the heading of “Managing Strategic Momentum.” We believe that

this approach better reflects how strategic control works in organizations – as a part of managing the strategy, not as an afterthought or add on.

Although we present a structured strategic management process, we believe that strategic management is highly subjective, often requiring significant intuition and even well-informed guesswork. However, intuition and the development of well-informed opinions are not easily learned (or taught). Therefore, a major task of the future strategic thinker is to first develop a thorough understanding of analytic strategic management processes and then – through experience – develop the intuition, perspective, and insight to consider previously uncharted strategic issues. Our map and compass metaphor provides a framework for blending rational, analytical planning with learning and responsiveness to new realities. We believe this text provides that foundation for effective strategic thinking, planning, and managing strategic momentum.

## Features of the Text

Feedback from users of previous editions of *Strategic Management of Health Care Organizations* has reinforced our belief that these features aid in providing an informative, interesting, and pedagogically sound foundation for understanding and embracing strategic management of health care organizations.

- Each chapter begins with an *Introductory Incident* to provide a practical example of the concepts discussed in the chapter.
- *Learning Objectives* direct attention to the important points or skills introduced in the chapter.
- *Models, examples, and exhibits* are included to assist in learning chapter material.
- *The Map and Compass* provides a useful metaphor for conveying the view that strategic leaders must both plan as best they can but also learn, adjust, and establish new direction (develop a new plan) as they progress.
- *Perspectives* in each chapter are drawn from actual health care organizations' experiences or emphasize recurring themes and abiding truths and are useful to augment the content of each chapter. These sidebars are designed to enable the student to relate to particular concepts presented in the chapter.
- *Lessons for Health Care Managers* serve as chapter summaries and highlight the most important lessons to be taken away from each chapter.
- *Health Care Manager's Bookshelf* introduces classic and popular books that have particular relevance to the strategy topic discussed in the text. Books were selected on the basis of their importance to present and future health care managers and included because they either represent a "classic contribution" to the field or provide potentially trend-setting information for strategic health care managers.
- *Key Terms and Concepts* present the essential vocabulary and terminology relative to the chapter's material.

- *Questions for Class Discussion* aid the reader in reviewing the important material and thinking about the implications of the ideas presented.
- *Notes* contain the references used in development of the chapter materials.
- Three *Appendices* to assist readers – *Analyzing Strategic Health Care Cases, Health Care Organization Accounting, Finance, and Performance Analysis, and Health Care Acronyms*.
- A *Web-based Instructor's Support* site is available to verified course instructors using the text. The support material includes PowerPoint slides for each chapter, chapter lecture notes that include suggestions for effective teaching, and answers to the end-of-chapter questions. The *Instructor's Support* also contains a true/false, multiple choice, and discussion question test bank and can be found at [www.wiley.com/go/ginter7e](http://www.wiley.com/go/ginter7e).

Through our own teaching, research, and consulting in the health care field, we have applied the process outlined in this text to physician practices, hospitals, local and state public health departments, long-term care facilities, social service organizations, and physical therapy practices. We have students who report back to us saying that they lead strategic planning in their organizations using the process with great success. The process works.

## Organization of the Text

The text contains 10 chapters and three appendices addressing the philosophy and activities of strategic management. Chapter 1 introduces definitions for strategic management and its activities – strategic thinking, strategic planning, and managing strategic momentum. The chapter discusses the need and rationale for strategic management in today's turbulent health care environment and briefly traces its historical foundations. In addition, Chapter 1 presents a conceptual model or map that guides strategic thinking, focuses on important areas for strategic planning, and provides the constructs for managing strategic momentum.

Chapter 2 contains strategic thinking and planning maps for investigating the external environment – both the general environment and the health care industry environment. Chapter 3 narrows the external environmental focus by providing strategic thinking maps for conducting service area and competitor analysis for a specific health care organization. Assessment of the internal environment is accomplished through strategic thinking maps for a health care value chain and analysis of the organization's resources, capabilities, and competencies, as examined in Chapter 4.

The directional strategies – mission, vision, values, and strategic goals – are examined in Chapter 5. Developing a mission asks members of an organization to strategically think about its distinctiveness; developing a vision allows them to think about their hopes for the organization's future; and building awareness of organizational values makes members aware of the principles that should be cherished and not compromised as the mission and vision are pursued. Strategic goals establish clear targets and help focus activities. Chapters 2–5 collectively constitute situation analysis.

Strategy formulation is concerned with making strategic decisions using the information gathered during situational analysis. Chapter 6 provides the decision logic for strategy formulation and demonstrates that strategic decisions are connected in an “ends–means” chain. Each decision along the decision chain more explicitly defines the strategy and must be consistent with upstream and downstream decisions. Chapter 7 discusses how to evaluate the strategic alternatives within each strategy type in the decision chain. These evaluation methods do not make the strategy decision. Rather, they are constructs or maps for helping strategists to think about the organization and its relative situation, thus enabling them to understand the potential risks and rewards of their strategic choices.

Managing strategic momentum entails putting strategies to work (managerial actions that accomplish the strategy), incorporating strategy evaluation and control, and building strategic awareness. Implementation requires that strategic managers shape and coordinate the value chain components and ensure that the organization’s action plans are directly tied to selected strategies. Chapter 8 addresses the development of implementation plans through either maintaining or changing the pre-service, point-of-service, and after-service strategies. Strategic managers should determine the essential characteristics of service delivery to ensure it best contributes to accomplishment of the strategy. Chapter 9 examines the role of organizational culture, organizational structure, and strategic resources in implementing strategy. These value chain components determine the organizational context and are vital in effective strategy implementation. Chapter 10 demonstrates how strategy may be translated into organizational unit objectives and action plans. It is the organizational units that must carry out strategy and strategic managers must review objectives and action plans to ensure that they are coordinated and make best use of human, physical, and financial resources. Each of these chapters points out the need to manage strategic momentum by thinking, planning, and doing, and then rethinking, new planning, and doing.

Finally there are three appendices as a reference for users of the text. Appendix A, Analyzing Strategic Health Care Cases, presents a methodology for case analysis for those using case studies to “practice” strategic thinking and planning; Appendix B, Health Care Organization Accounting, Finance, and Performance Analysis, as an accounting and finance refresher and reference; and finally, Appendix C, Health Care Acronyms, is a quick source for definitions of the “short-hand” language of health care.

## **The Author Team**

In developing and writing this book, as with all our collaborative projects, we have created a team in its truest sense. Recognizing that each of us makes a unique contribution and provides leadership, we have changed the order in which the authors are listed every two editions. For the first and second editions, the authors were listed as Duncan, Ginter, and Swayne; for the third and fourth editions, the authors were listed as Ginter, Swayne, and Duncan. In the fifth and sixth editions, the order was Swayne, Duncan, and Ginter.

## Acknowledgments

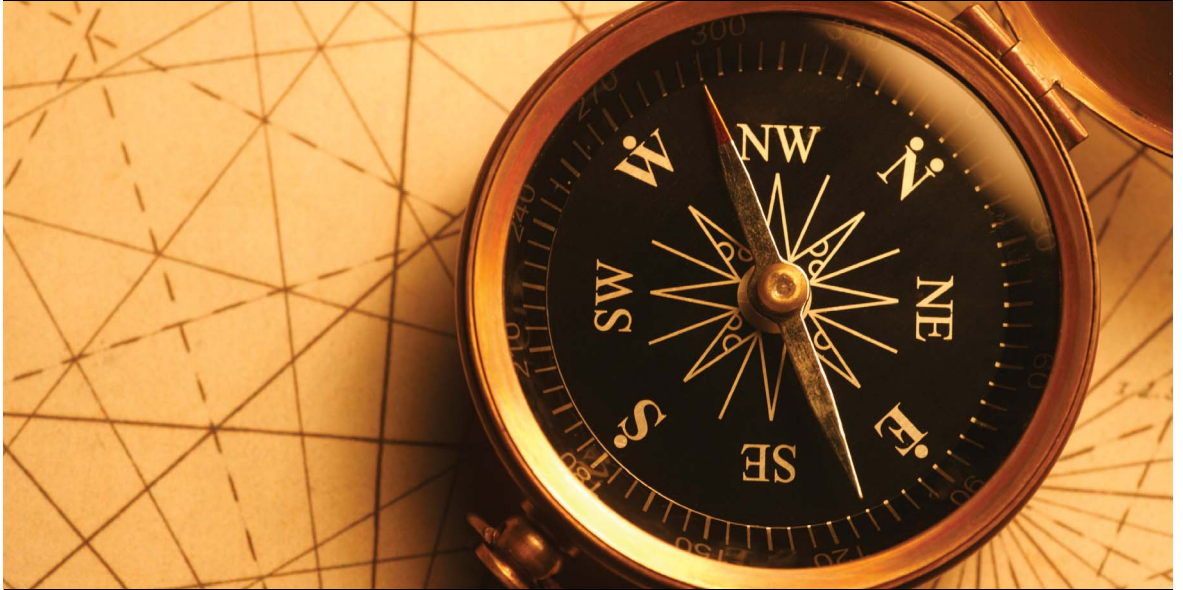
A number of people have provided inspiration, ideas, and considerable effort to produce the seventh edition. We are indebted to many individuals for their assistance and encouragement. A special note of thanks to Sunil Erevelles, Chair of the Department of Marketing at the Belk College of Business at the University of North Carolina at Charlotte, and to Dean Max Michael, MD of the School of Public Health at the University of Alabama at Birmingham, who have continuously been supportive of our efforts. Also, a special thanks to Andrew C. Rucks for his Appendix B, Health Care Organization Accounting, Finance, and Performance Analysis and his invaluable contribution to the text's Web-based Instructor's Support. Thank you Rongbing (Bing) Xie, our teaching assistant at UAB, who tirelessly supported our in-class and on-line teaching.

We must also thank our many students (many of whom became strategic management course instructors), who have provided feedback, made contributions, used the book in their professional careers, and kept in contact to tell us of the value of the book that remains on their bookshelves.

Finally, but most importantly, we thank our families who have supported and encouraged us as we worked on still another writing project. Thank you all for your understanding.



# 1 The Nature of Strategic Management



*“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.”*

—CHARLES DARWIN

## Introductory Incident

### ***It Can Be Done: Premier Healthcare Alliance Accountable Care Collaboratives Are Saving Lives and Saving Costs***

Statistics show that health care costs have been growing at an unsustainable rate, reaching an estimated 17.3 percent of gross domestic product (GDP) in 2009, according to the Centers for Medicare and Medicaid Services (CMS), representing the largest one-year increase in history when the nation itself was in the midst of the “great recession.” Predictions are for health care costs to be 19.3 percent of GDP in 2019 (four times the 5.1 percent of GDP in 1960). Despite the high cost of health care, gaps and inequities persisted, leading to health care reform. The 2010 Patient Protection and Affordable Care Act (PPACA), or commonly Affordable Care Act (ACA) is attempting to change the US health care system from a volume-based to a value-based model.

Premier Healthcare Alliance believes that accountable care organizations (ACOs) are the way to better align the incentives and needs of all stakeholders. Premier's components to the ACO model include:

- People-centered health homes that deliver primary care and coordinate with other providers as needed.
- New approaches to primary, specialty, and hospital care that reward care coordination, efficiency, and productivity.
- Tightly integrated relationships with specialists, ancillary providers, and hospitals to provide focus and alignment on achieving high-value outcomes.
- Provider/payer partnerships and reimbursement models that reward improved outcomes (value over volume).
- Population health information infrastructure, including health information exchanges to enable care across a designated population.

The goal is to incentivize health and wellness, rather than paying for treating disease. ACOs actually began in 2005, when CMS began the Physician Group Practice demonstration. Its success in developing incentives based on the quality of care provided and the estimated savings generated for the Medicare population served, led to the formation of the Medicare Payment Advisory Commission (MedPAC) to begin looking for real ways to reduce costs, while improving quality of care and patient satisfaction. ACOs were incorporated into the Affordable Care Act legislated in March 2010.

Premier Healthcare Alliance has developed a proven model for ACOs based on the following key elements:

- Establish goals and mission – create a definition of areas to address and what the collaborative will do to fulfill its mission.
- Define consistent measures of success – common measures that will be used to improve defined outcomes.
- Data collection and normalization – use standardized data sets to meaningfully compare results across participants.
- Transparency – participants commit to open sharing of performance data across the collaborative to identify the top performers and learn from them.
- Driver analysis and collaborative execution – using transparent data, the collaborative can set performance targets, identify opportunities for improvement, and establish areas of focus.
- Share best practices – share across the collaborative to realize improvement gains.
- Performance improvement analysis – analyze data from the cohort and individuals to highlight trends/opportunities that will drive performance and achieve goals.



Premier established QUEST®: High-Performing Hospitals collaborative (200 not-for-profit hospitals in 31 states) for hospitals to learn from the top performers and develop and implement systemic improvements across their organizations. Three goals drove the process: save lives, safely reduce the cost of care, and deliver the most reliable and effective care. In three years, QUEST hospitals saved an estimated 22,164 lives and reduced health care spending by \$2.13 billion (national translation would be more than 86,000 lives and \$25 billion saved).

**Source:** Premier Healthcare Alliance, Inc.

## Learning Objectives

After completing the chapter you will be able to:

1. Explain why strategic management has become crucial in today's dynamic health care environment.
2. Trace the evolution of strategic management and discuss its conceptual foundations.
3. Describe and explain the concept of strategic thinking maps.
4. Define and differentiate between strategic management, strategic thinking, strategic planning, and managing strategic momentum.
5. Understand the necessity for both the analytic and emergent models of strategic management.
6. Understand how an organization may realize a strategy that it never intended.
7. Understand the benefits of strategic management for health care organizations.
8. Understand the importance of systems approaches.
9. Explain the links between the different levels of strategy within an organization.
10. Describe the various leadership roles of strategic management.

## Managing in a Dynamic Environment

The dramatic changes in the health care industry that began in the 1980s, marked by the implementation of Medicare's prospective payment system in 1983, continue today (see Perspective 1–1 for an overview of the Patient Protection and Affordable Care Act – the most significant change for health care since the passage of Medicare and Medicaid in the 1960s, and still changing as components are tested in courts and in its phased-in implementation). As a result, health care institutions continue to face a turbulent, confusing, and often threatening

environment. Significant change comes from many sources, including: legislative and policy initiatives; international as well as domestic economic and market forces; demographic shifts and lifestyle changes; technological advances; and fundamental health care delivery changes. Certainly, health care systems, as well as other domestic and international health care organizations, have had to continuously adapt to these and other changes. As suggested in the introductory quote, health care organizations will have to be responsive to and effectively manage change in this dynamic environment.

## PERSPECTIVE 1-1

### The Patient Protection and Affordable Care Act (PPACA)

The PPACA was enacted in March of 2010; most of its provisions go into effect in 2014. This complex law has many provisions; some of the more important ones are summarized here.

First, the law requires most US citizens and legal residents under age 65 to have health insurance; this is the “insurance mandate.” The law provides financial penalties, if one does not obtain coverage, and it provides subsidies, if one has sufficiently low household income.

Second, the law requires large employers, those with 50 or more employees, to provide health insurance to their workers who work 30 or more hours per week. Failure to do so results in financial penalties on the employer. The most significant of these is a fine of \$2,000 per uninsured worker. Firms with less than 50 workers are not required to offer coverage, but receive short-term (two-year) subsidies if they choose to do so.

Third, the law requires the establishment of “health insurance exchanges” in each state. The states have discretion in how these organizations operate, but if a state fails to establish an exchange, the federal government will operate one in the state. Exchanges are virtual marketplaces where individuals and small employers can compare coverage from different insurers, obtain subsidies if they are eligible, and buy

insurance. The state exchange has to be self-sufficient, covering the administrative costs by taxes or fees.

Fourth, within the exchanges individuals and small firms may buy “platinum,” “gold,” “silver,” and “bronze” coverage. Each of these tiers reflects coverage of the same “essential health benefits” at a different expenditure level. A silver plan, for example, must cover 70 percent of the costs of the benefit package, with the subscriber paying the other 30 percent out of pocket. Each insurer may offer several combinations of deductibles, copays, and coinsurance features to meet the spending level in each tier. The states, with strong guidance from the federal government, determine what constitutes “essential health benefits.”

Fifth, the law required the states to expand the Medicaid programs to include citizens and legal residents between ages 19 and 64, inclusive, if their income was below 139 percent of the federal poverty line. The Supreme Court found the provision enforcing this expansion to be unconstitutional. As a result, the states now have the option to expand Medicaid. If they do so, the federal government will initially pay 100 percent of the costs of the expansion, declining to 90 percent by 2019.

This legislation poses a number of issues for states, for employers, and for health care providers. The challenges include:

- Should a state undertake the Medicaid expansion? The expansion provides coverage to many uninsured people in the state and is largely paid for with federal dollars. However, state Medicaid budgets are already strapped.
- Should the state create an insurance exchange tailored, to the extent possible, to the preferences of the state, or should it simply let the federal government do it? Exchanges are to be “self-sustaining;” how will the administrative functions be funded?
- Should a smaller employer who currently offers coverage, drop the coverage, raise wages, and encourage her employees to buy coverage through the exchange?
- Large employers are required to offer coverage or pay a fine. Should they drop coverage, forget the headaches of employer-sponsored coverage, and just pay the fine?
- How is a hospital affected by PPACA? There will be fewer uninsured, but patient copays and deductibles may be larger and government payments (i.e., Disproportionate Share payments) to care for the poor and uninsured will be reduced.

### SUGGESTED READING

J. P. Newhouse, “Assessing Health Reform’s Impact on Four Key Groups of Americans,” *Health Affairs* 29, no. 9 (2010), pp. 1714–1724.

**Sources:** Michael A. Morrisey, PhD, Director, Lister Hill Center for Health Policy and Department of Health Care Organization and Policy, University of Alabama at Birmingham.

## Coping with Change

How can health care leaders deal with change? Which issues are most important or most pressing? Furthermore, what new issues will emerge? It is likely that there will be new issues for health care organizations that have yet to be identified or fully assessed. Even more sobering, it seems certain that there will be more change in the health care industry in the next 10 years than there has been in the past 10 years.

Dealing with rapid, complex, and often discontinuous change requires leadership. Successful health care organizations have leaders who understand the nature and implications of external change, the ability to develop effective strategies that account for change, and the will as well as the ability to actively manage the momentum of the organization. These activities are collectively referred to as “strategic management.” The clearest manifestation of leadership in organizations is the presence of *strategic management* and its activities. Strategic management is fundamental in leading organizations in dynamic environments. Strategic management provides direction and momentum for change.

Organizational change is a fundamental part of success. As health care leaders chart new courses into the future, in effect, they create new beginnings, new

chances for success, new challenges for employees, and new hopes for patients. Therefore, it is imperative that health care managers understand the changes taking place in their environment; they should not simply be responsive to them, they must create the future. Health care leaders must see into the future, create new visions for success, and be prepared to make significant improvements.

## The Foundations of Strategic Management

In political and military contexts, the concept of strategy has a long history. For instance, the underlying principles of strategy were discussed by Sun Tzu, Homer, Euripides, and many other early strategists and writers. The English word strategy comes from the Greek *stratēgōs*, meaning “a general,” which in turn comes from roots meaning “army” and “lead.”<sup>1</sup> The Greek verb *stratēgēō* means “to plan the destruction of one’s enemies through effective use of resources.”<sup>2</sup> Similarly, many of the terms commonly used in relation to strategy – objectives, strategy, mission, strengths, weaknesses – were developed by the military.

### Long-Range Planning to Strategic Planning

The development of strategic management began with much of the business sector adopting long-range planning. Long-range planning was developed in the 1950s in many organizations because operating budgets were difficult to prepare without some idea of future sales and the flow of funds. Post-WWII economies were growing and the demand for many products and services was accelerating. Long-range forecasts of demand enabled managers to develop detailed marketing and distribution, production, human resources, and financial plans for their growing organizations. The objective of long-range planning is to predict for some specified time in the future the size of demand for an organization’s products and services and to determine where demand will occur. Many organizations have used long-range planning to determine facilities expansion, hiring forecasts, capital needs, and so on.

As industries became more volatile, long-range planning was replaced by strategic planning because the assumption underlying long-range planning is that the organization will continue to produce its present products and services – thus, matching production capacity to demand is the critical issue. However, the assumption underlying strategic planning is that there is so much economic, social, political, technological, and competitive change taking place that the leadership of the organization must periodically evaluate whether it should even be offering its present products and services, whether it should start offering different products and services, or whether it should be operating and marketing in a fundamentally different way.

Although strategies typically take considerable time to implement, and thus are generally long range in nature, the time span is not the principal focus of strategic planning. In fact, strategic planning, supported by the management of the strategy, compresses time. Competitive shifts that might take generations to evolve instead occur in a few short years.<sup>3</sup> In a survey of senior executives, 80 percent indicated that the productive lives of their strategies were getting shorter and 75 percent believed that their leading competitor would be different within

five years.<sup>4</sup> Therefore, it is preferable to use “long range” and “short range” to describe the time it will take to accomplish a strategy rather than to indicate a type of planning.

## Strategic Planning to Strategic Management

The 1960s and 1970s were decades of major growth for strategic planning in business organizations. Leading companies such as General Electric were not only engaged in strategic planning but also actively promoted its merits in the business press. The process provided these firms with a more systematic approach to managing business units and extended the planning and budgeting horizon beyond the traditional 12-month operating period. In addition, business managers learned that financial planning alone was not an adequate framework.<sup>5</sup> In the 1980s the concept of strategic planning was broadened to strategic management. This evolution acknowledged not only the importance of the dynamics of the environment and that organizations may have to totally reinvent themselves, but also that continuously managing and evaluating the strategy are keys to success. Thus, strategic management was established as an approach or philosophy for managing complex enterprises and, as discussed in Perspective 1–2, should not be viewed as a passing fad.

## Strategic Management in the Health Care Industry

Strategic management concepts have been employed within health care organizations only in the past 30 to 35 years. Prior to this time, individual health care organizations had few incentives to employ strategic management because typically they were independent, freestanding, not-for-profit institutions, and health services reimbursement was on a cost-plus basis. In many respects health care has become a complex business using many of the same processes and much of the same language as the most sophisticated business corporations. Certainly, in the late 1980s and 1990s many health care organizations had much to learn from strategically managed businesses. As a result, many of the management methods adopted by health care organizations, both public and private, initially were developed in the business sector.

### PERSPECTIVE 1–2

## Are the Following Management Approaches Fads?

Management fads? Management techniques? Management fads is usually the flippancy answer. However, each of these management approaches was a genuine attempt to change and improve the organization – to focus efforts, to improve the quality of the products and

services, to improve employee morale, to do more with less, to put meaning into work, and so on. Some of the approaches worked better than others; some stood the test of time and others did not. Yet, it would be too harsh to simply dismiss them as fads or techniques. The goals

<b>1950s</b>	<ul style="list-style-type: none"> <li>● Theories X and Y</li> <li>● Management by Objectives</li> <li>● Quantitative Management</li> <li>● Diversification</li> </ul>
<b>1960s</b>	<ul style="list-style-type: none"> <li>● Managerial Grid</li> <li>● T-Groups</li> <li>● Matrix Management</li> <li>● Conglomeration</li> <li>● Centralization/ Decentralization</li> </ul>
<b>1970s</b>	<ul style="list-style-type: none"> <li>● Zero-Based Budgets</li> <li>● Participative Management</li> <li>● Portfolio Management</li> <li>● Quantitative MBAs</li> </ul>
<b>1980s</b>	<ul style="list-style-type: none"> <li>● Theory Z</li> <li>● One-Minute Managing</li> <li>● Organization Culture</li> <li>● Intrapreneuring</li> <li>● Downsizing</li> <li>● MBWA (Management by Wandering Around)</li> <li>● TQM/CQI</li> </ul>
<b>1990s</b>	<ul style="list-style-type: none"> <li>● Customer Focus</li> <li>● Quality Improvement</li> <li>● Reengineering</li> <li>● Benchmarking</li> <li>● Resource-Based View</li> </ul>
<b>2000s</b>	<ul style="list-style-type: none"> <li>● Six Sigma</li> <li>● Balanced Score Card</li> <li>● Transformational Leadership</li> <li>● Self-Managed Teams</li> <li>● Dynamic Capabilities</li> <li>● Virtual Organizations</li> <li>● Blue Oceans</li> <li>● The Learning Organization</li> </ul>
<b>2010s</b>	<ul style="list-style-type: none"> <li>● Knowledge Management</li> <li>● LEAN Six Sigma</li> <li>● Strategic Mapping</li> <li>● Black Swan</li> <li>● Disruptive Innovation</li> <li>● Predictable Surprises</li> </ul>

for all of these management approaches were to manage and shape the organization – to make it better, to make it an excellent organization. One of the things that has distinguished all of these “fads” is the enthusiasm and commitment they have engendered among managers and workers. For many, these approaches have significantly increased the meaning of work – no small accomplishment in an era in which people are increasingly hungry for meaning. And certainly organizations need to create meaning.<sup>1</sup>

When management approaches such as these fail, it is usually because they become an end in themselves. Managers lose sight of the real purpose of the approach and the process becomes more important than the product. Managers start working for the approach rather than letting the approach work for them.

What will be the “management fads” of the next decade?<sup>2</sup> Will you be a part of these or past attempts to make the organization better or will you simply dismiss them as fads? Perhaps benchmarking, quality improvement, the learning organization, or LEAN Six Sigma will turn your organization around. One of these approaches may help to make your organization truly excellent or save it from decline.

Is strategic management just another fad? Will it stand the test of time? If strategic management becomes an end in itself, if its activities do not foster and facilitate thinking, it will not be useful. However, if strategic management helps managers to think about the future and guide their organizations through turbulent environments, strategic management will have succeeded.

## REFERENCES

1. J. Daniel Beckham, “The Longest Wave,” *Healthcare Forum Journal* 36, no. 6 (November/December 1993), pp. 78, 80–82.
2. “Rethinking the Cause of Management Fads,” *Strategic Direction* 21, no. 4 (2005), p. 28.

Although the values and practices of for-profit business enterprises in the private sector have been advocated as the appropriate model of managing health care organizations, a legitimate question arises concerning the appropriateness of the assumption that business practices may always be relevant to the health care industry. Certainly, not all the “big ideas” have delivered what was promised, even in business.<sup>6</sup> It has been pointed out that:

1. Some strategic alternatives available to non-health care organizations may not be realistic for many health care organizations.
2. Health care organizations have unique cultures that influence the style of and participation in strategic planning.
3. Health care has always been subject to considerable outside control.
4. Society and its values place special demands on health care organizations.<sup>7</sup>

However, strategic management, especially when customized to health care, does seem to provide the necessary processes for health care organizations to cope with the vast changes that have been occurring. Over time these business approaches increasingly have been modified to fit the unique aspects of health care organizations.

## Strategic Management Versus Health Policy Planning

There has been and continues to be substantial health planning (policy) in the United States. Efforts at health planning are initiated by either state or local governments and the resulting health policies are implemented through legislation or private or non-governmental agencies. Many of these planning efforts are disease specific; that is, they are categorical approaches directed toward specific health problems (e.g., the work of the National Tuberculosis Association that stimulated the development of state and local government tuberculosis prevention and treatment programs).<sup>8</sup> As a result, a variety of state and federal health planning or policy initiatives have been designed to: (1) enhance quality of care and reduce medical errors; (2) provide or control access to care; and (3) contain costs.

These health-planning efforts are not strategic management. Health planning is the implementation of local, state, and federal health policy and affects a variety of health care organizations. As explained in Perspective 1–3, the intent of *health policy* is to provide the context for the development of the health care infrastructure as a whole. In contrast, strategic management is organization specific. Strategic management helps an individual organization to respond to state and federal policy and planning efforts, as well as to a variety of other external forces.