

## Integration of Strategic & Business Planning Processes

We live in a world of finite resources. **A business model needs to be effective and coherent. Business models are strategic models that explain how organizations create the resources to do their business.** The main function is to provide resource solutions for problems: it helps agencies to assess what resources are available; offers appropriate way of allocating those resources according to demand in the most efficient manner; when the entire process is integrated, the agency can work at substantially lower costs and higher levels of quality.

**Every viable business model starts with a value proposition – an agency offers products or services that help consumers access care in more effective, affordable and convenient ways.**

This is the start of thinking about strategic positioning. Business models are a very efficient means of evaluating the circumstances to find strategic choices by linking the various strategic domains. (See Appendix for definitions)

The task is to broaden the discussion to help agencies look at themselves and the market place to determine long-term viability and sustainability.

Here is a proposed process that helps the thinking of the executive staff and boards. It is recommended that you keep this simple and processed within the time and resource limitations of each agency. There is no need to answer every question and depending on your time and concerns, the deeper you go into this process the greater clarity there will be on your choices and the future positioning.

### The Steps:

- Mission and Vision: What are they and are they clear? (See Appendix for definition)
  - Does it tell you what the most important value for your organization is?
  - Can you use it to decide on business or strategic decisions?
  - If you look at your services, could you connect each service to the mission and vision?
  - Identify a recent decision where the mission affected the decision.
  - Is the vision clear and is it actionable? Ask: When was the last time all the services were aligned with the vision? Simply take each service and connect it to your vision. If there is no connection, ask why? Perhaps the vision is not clear or needs to be updated.

- Key Capabilities (or core competencies): What do you do well? (See appendix)
  - What do we do well?
  - What don't we do well?
  - If you had to make a decision, what would you keep or abandon?
  - If your services were to disappear and your agency doesn't deliver these services, where would the consumers go for care? (Often this defines the market place and your agency's competitive advantage.)
  
- Working Assumptions: What is important? (See Appendix)
  - List the important assumptions you use every day to make decisions.
  - "We are in the business because..." (please make a statement here)
  - We have been in business for X years
  - We were created to do X but now we do Y
  - If we don't do what we do the patients or clients will not get X care.
  - We have good relationships with so and so providers and work together to meet the needs of consumers.
  
- Resource allocation: What determines allocations? (Part of work by Gene and Dan)
  - What drives allocation decisions? Budgets or a strategic plan, opportunities, the past, what?
  - Resources and spending are spread over XX programs ...
  - The cost per person served is XX ...
  - The revenues come from (sources) ... and are concentrated on (Medicaid, local assistance)
  - These revenues are vulnerable because ...
  - Our fundraised dollars are XX and are critical because...
  
- Market Place: Who are my competitors?
  - What are my colleagues experiencing? Are they faced with the same pressures?
  - Are there mergers, acquisitions, and collaborations going on in the field? Why?
  - Public policy is directly impacting our revenues by X %, thereby (supporting, jeopardizing, threatening) the future.
  - My competitors are who??
  - My agency can leverage its position because ....
  
- Collaborations, Partnerships & Mergers: Is this a matter of survival?
  - Do you have a capability to work in a shared space with other providers?
  - Do you see any opportunities to collaborate?
  - What and why would you do this?
  - Do you know how to negotiate a win-win outcome?
  
- Scenarios: What is your story three years from now? (See appendix)
  - Start with this "What if" Exercise: If this happens, then this occurs. And then play it out for your agency.
  - Tell me what story or headline you will write in three years

- Select a viable scenario or scenarios that are plausible story lines for your agency.
- Test it out in reality of this scenario by examining what you have to do get there. This is the essence of strategic planning.
- Risks: What happens with each scenario?
  - Degree of risk and vulnerability of each scenario
  - What are the key capabilities to do this and do we have them?
  - What steps, tasks, decisions, changes are necessary to successfully get to the future?
  - Can we make it?

Depending answers to all the above, then the decision leads you to:

## **Make Go-No Go Decisions**

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## Appendix

### Strategic Planning

A definition of strategic planning must be based on understanding that a strategic plan differs from a Business Plan. A Strategic Plan is a systematic, formally documented process for deciding what are the handful of key decisions that an agency, viewed as a whole, must get right in order to thrive over the next few years.

Systematic process of envisioning a desired future, and translating this vision into broadly defined goals or objectives and a sequence of steps to achieve them. In contrast to long-term planning (which begins with the current status and lays down a path to meet estimated future needs), strategic planning begins with the desired-end and works backward to the current status. At every stage of long-range planning the planner asks, "What must be done here to reach the next (higher) stage?" At every stage of strategic-planning the planner asks, "What must be done at the previous (lower) stage to reach here?"

Sources: Various business and planning sources and from practical expertise.

**A vision statement** is a picture of your company in the future. Your vision statement is your inspiration, the framework for all your strategic planning. It reminds you of what you are trying to build.

While a vision statement doesn't tell you how you're going to get there, it does set the direction for your business planning. Unlike the mission statement, a vision statement is for you and the other members of your company, not for your customers or clients.

When writing a vision statement, your mission statement and your core competencies are valuable starting points for articulating your values. Be sure when you're creating one not to fall into the trap of only thinking ahead a year or two. Once you have one, your vision statement will have a huge influence on decision making and the way you allocate resources.

**Core competency** is essentially what a business does well that distinguishes it from other businesses.

The concept of core competency originated as a resource-based approach to corporate strategy; the concept was first introduced by C.K. Prahalad and Gary Hamel. In *The Core Competence of the Corporation* (1990), they describe core competence as something that a firm can do well that meets three conditions: 1. it provides consumer benefits; 2. It is not easy for competitors to imitate; 3. It can be leveraged widely to many products and markets.

Obviously, such a strict definition of core competency excludes small agencies, as most would not be able to meet the third condition.

All core competency definitions, however, include the concept of competitive advantage. For instance, competency is a "key ability or strength that an organization has acquired that differentiates it from others, gives it competitive advantage, and contributes to its long-term success."

## **Assumptions**

An assumption is a statement that is presumed to be true without concrete evidence to support it. In the business world, assumptions are used in a wide variety of situations to enable companies to plan and make decisions in the face of uncertainty.

Examples:

- My programs are strong and can survive the changes in public policy
- My organization has a clear strategic plan and it assumes that we can grow by X % each year.
- Managed care will need our services.

## **Scenario Thinking**

*Imagining future conditions or events for planning strategy.*

Scenario thinking is an aid in the development of a strategy in the face of uncertainty about the future. The process of identifying alternative scenarios of the future, based on a variety of differing assumptions, can help managers anticipate changes in the business environment and raise awareness of the frame of reference within which they are operating. The scenarios are then used to assist in both the development of strategies for dealing with unexpected events and the choice between alternative strategic options.

This plays out the question: "What if?" It takes all the assumptions, key capabilities, and resources and builds future plots of how your agency will survive. I often ask executives to write a story line about the future three years from now: My agency will be this ... and the plot thickens.