** Overview of the Planning Function of Management

** Of all management functions discussed as they apply to the activities of HSO managers, the planning function is often seen as the most fundamentally important, as the ability to carry out all other functions of management is essentially dependent on the ability to achieve the desired outcomes of planning -- that of formulating objectives, operational strategies, programs, etc.

** Planning as an essential management function is best defined according to the attributes of the planning process: a process that is characterized by (1) an attempt to anticipate what the future holds for the HSO; (2) an assessment of the present conditions confronting the HSO; (3) an effort to make decisions concerning organizational direction, programs, and resource deployment within the HSO.

** The planning process allows HSO managers to effectively deal with their varied external environments on a proactive basis. In terms of the management model, planning forces managers to focus on outputs, which then determines relative input needs into the HSO. The successful elucidation of HSO outputs and necessary inputs also allows managers to more effectively design and manipulate the conversion processes within the HSO (structures, tasks, people). Additionally, planning is the foundation for resource allocation and control.

** Characteristics of the Planning Function of Management

** Types of Planning

** Strategic: performed within an HSO at the senior management level, with input from governing body; typically broad in scope, long-run in focus (several years or greater), and focuses primarily on an accurate assessment of the HSO’s different environments for the purpose of developing long-run organizational objectives and operational strategies.

** Operational: performed within an HSO primarily by middle-level and supervisory-level management, often in tandem with one another; typically narrow in scope (department or area specific), short-run in focus (usually a year or less), and should be consistent in spirit and intent with the underlying organizational strategic plan in terms of objectives and strategies. Usual outcomes of operational planning are a number of departmental sub-objectives, programs, and policies/procedures.
** Intended Outcomes of Planning Activities

(1) Development of Organizational Mission

*** Missions are essentially statements that identify, in broad terms, the purposes for which the organization/HSO exists -- the unique aim of the organization that differentiates it from other organizations/HSO’s. For many HSO’s, mission statements rarely succeed in successfully allowing for differentiation, as most typically refer to a mission to “provide high-quality, cost-effective/efficient care in a completely caring environment”.

*** Typically, the derivation/refinement of organizational mission(s) is accomplished by senior-level management in tandem with/subsequent to the approval of the governing body of the HSO. Many HSO’s allow input from lower-level management/non-management staff during this process to facilitate organization-wide support for the mission.

(2) Establishment of Organizational Objectives

*** Objectives are statements of the organizational outputs that the HSO seeks to accomplish/achieve in the pursuit of the organizational mission.

*** Primary objectives are organizational in scope -- these are the highest priority organizational outputs to be achieved during the planning period; Secondary objectives are also organizational in scope, but these tend to represent lower-priority organizational outputs (relative to primary) to be achieved; sub-objectives are area or departmental in scope, and should be consistent with organizational objectives.

*** Primary/secondary organizational objectives are developed by senior-level management in tandem with the governing board; sub-objectives are typically formulated by middle/supervisory level management, subject to senior-level management approval.

*** Characteristics of ideal objectives include: (1) realistic; (2) attainable; (3) measurable. Objectives that meet these criteria allow managers at various levels to focus work activities towards the accomplishment of specific ends, allow for prioritization with regard to decision-making concerning services and programs, facilitate decisions with regard to resource allocation, and allow for more effective organizational control.
(3) **Formulate Organizational Strategies/Programs**

** Organizational strategies are broad, organization-wide methods/programs that are implemented for the purpose of achieving/accomplishing organizational objectives, requiring a long-term organizational commitment of resources. Common examples include changing an HSO’s mix of service offerings, adding new services, deleting old services, implementing an HSO-wide quality improvement system, etc. Typically the responsibility of senior-level management.

** Operational programs are specific, planned activities that are developed, adopted, and implemented by specific functional areas within the HSO. Such programs are often implemented for the purpose of accomplishing departmental sub-objectives. Common examples include departmental programs of just about any type. Typically the responsibility of department-level management, with approval from senior-level management.

(4) **Establish Policies/Procedures**

** Policies are usually organizational in scope, and officially express or imply organizational guidelines for behavior, decision-making, and thinking by representatives/employees of the HSO. Such policies are referred to as general organizational policies. Operational policies tend to be department-specific, and are intended for the same purposes as general policies, applied to personnel within a specific functional area. Should be consistent with general organizational policies. Examples would include general/operational HSO policies pertaining to patient confidentiality.

** In general, the most effective policies are those that are clearly written and appropriate to affected HSO employees, those that are most closely aligned with organizational objectives, those that are most flexible to adaptation in specific, evolving situations, those that are best communicated, understood, and accepted by those to whom it applies, and those who are most consistent with other organizational policies in different areas of the HSO.

** Procedures are guides to action in specific situations, which typically express a pre-established sequence of steps in performing a task. Procedures exist for virtually every important task that an HSO undertakes (e.g. procedure for aseptic venipuncture, procedure for reporting an employee injury on the job, etc.)

** The Strategic Planning Model
Formulation of Organizational Objectives

As defined previously, these represent the major organizational outputs which the HSO aspires to achieve/accomplish during the period of time addressed in the planning process. (See management model)

Factors which can and do influence the process of organizational objective formulation include (a) the organization’s culture, and (b) organizational stakeholders and their inputs.

Organizational culture is the pattern of ingrained beliefs, values, and assumptions accepted by organizational members over time. The impact of organizational culture on the formulation of organizational objectives is significant, as such a culture is often reflected in the HSO’s mission, which should drive the whole process of objective development.

Stakeholders are those constituents of the HSO who have a vested interest in the affairs, actions, and objectives of the HSO. Stakeholders have a profound impact on the operation of the HSO across the board, especially as it pertains to objective formulation. Stakeholder management as a management tool/skill has become increasingly important to understand due to the increased numbers of potential stakeholders that an HSO may encounter as well as the increased complexity of such relationships.

Most HSO’s may identify three types of stakeholders to their individual organizations: (1) internal stakeholders -- those constituents that operate almost entirely within the bounds of the HSO (management and staff); (2) interface stakeholders -- those constituents who operate both internal and external to the HSO (medical staff, stockholders, shareholders, trustees); (3) External stakeholders -- those constituents who operate external/outside of the boundaries of the HSO (suppliers of inputs to the HSO, direct competitors of the HSO, and special interest groups of the HSO).

Steps in the Strategic (Proactive) Stakeholder Management Process:
Identify all relevant HSO stakeholders -- identify constituents, classify as internal, external, interface depending on issue at hand.

Diagnose stakeholders -- issue-specific assessment, evaluation of the potential for cooperation/threat by individual stakeholders; factors that influence such potential for cooperation/threat with the HSO include the dependence of the stakeholder on the operations of the HSO (cooperation), relative stakeholder control of resources needed for HSO operations (threat), likelihood of stakeholder taking action in response to HSO activities, and likelihood of stakeholder involvement in a coalition not inclusive of the HSO.

Classify stakeholders based on action diagnosis -- 4-way typology of stakeholders based on cooperation/threat potential; classification is issue-specific, and dynamic in nature given changes in underlying assumptions regarding stakeholder activities:

** Mixed Blessing Stakeholder -- high potential for threat, high potential for cooperation; typical examples are physicians, medical staff, insurance companies, insured patients, and hospitals with complementary (non-competing) services. Typically interface stakeholders.

** Supportive Stakeholder -- high potential for cooperation, low potential for threat; typically involves most internal stakeholders including HSO managers and staff and others generally supportive of HSO objectives (local community boards, nursing homes, etc.)

** Non-Supportive Stakeholder -- high potential for threat, low potential for cooperation; examples include competing HSO’s, alternatives to HSO services, governmental agencies (regulatory), employer coalitions, advocacy groups, etc.

** Marginal Stakeholders -- low potential for cooperation, low potential for threat; examples include volunteer groups, stockholders, taxpayers, etc.

Formulate strategies for stakeholder management:
** Mixed Blessing Stakeholder -- general collaboration strategy with the goal of converting to supportive-type of stakeholder.

** Supportive Stakeholder -- general involvement strategy; differs from collaborative strategy due to absence of threat potential (not as cautious as with collaboration); may empower/participative management methods.

** Non-Supportive Stakeholder -- general defensive strategy; involves preventing this type of stakeholder from imposing costs or other disincentives on the organization.

** Marginal Stakeholder -- general monitoring strategy; Proactive maintenance of status quo -- prevention from becoming a non-supportive stakeholder. Costs of facilitating cooperation usually don’t justify the potential benefits of such cooperation.

** Management Responsibilities in Stakeholder Management: primarily senior-level management involvement.

** CEO: primary organizational link to numerous stakeholders, ultimate responsibility with regard to overall stakeholder management strategy formulation and implementation.

** CFO: primarily responsible for strategy recommendations for managing relationships with numerous influential stakeholders related to organizational financial performance (e.g. governmental and third party payors, input suppliers, etc.

** VP-Medical Affairs: primarily responsible for managing relationship with most critical interface stakeholder to HSO -- medical staff.

** VP-Marketing/PR: primarily responsible for managing relationship with numerous external stakeholders (patients, managed care, etc.)

** COO: primarily responsible for managing relationships with most internal stakeholders and some interface groups as well.

** The Strategic Planning Model (cont’d)
(2) **Strategic Environmental Assessment** (SWOT analysis)

** External environmental assessment involves a comprehensive evaluation of the existing/potential opportunities for and threats to the HSO and the achievement of its stated mission and objectives. Such analyses include general environmental assessments (economic, social, political, cultural, demographic factors) as well as consideration of the competitive environment that the HSO faces/may face in the future (stakeholder analysis, competitive position analysis, etc.).

** Internal environmental assessment involves a comprehensive evaluation of the existing/potential organizational strengths and weaknesses that relate to the achievement of its stated mission and objectives. Such analyses are often conducted by functional area of the HSO (marketing, service offerings, financial performance, operational efficiency, etc.), and total organizational performance/capability is assessed in light of the findings compared with the stated organizational objectives.

(3) **Choice of Organizational Strategies**

** Based on formulated objectives and mission, and subsequent to the environmental assessments conducted, appropriate organizational strategies may be formulated for the purpose of achieving the stated objectives.

** A variety of general organizational strategies exist that may be chosen from including specialization/niche strategies, integration (horizontal, vertical forward, vertical backward) strategies, diversification strategies (concentric, conglomerate), retrenchment, interorganizational links, etc.

** **Specialization/Niche** -- focus/emphasize selected products/services (Specialization) or populations/markets (niche).

** Integration -- general strategy of market linkage involving a variety of market participants and their functional relationship to the HSO. Such strategies may involve the linkage of market participants at the same point in the production process (horizontal integration), linkage to market participants further away from the final consumer in the production chain (backward integration) and closer to the final consumer in the production chain (forward integration).

** Diversification -- general strategy where an organization adds
or expands into new product/service offerings or enters into new markets. Concentric diversification involves the addition of related services to the HSO’s mix, conglomerate diversification involves the addition of unrelated services to the HSO’s mix. With respect to HSO activities, most clinical service diversification strategies would constitute concentric diversification (services related to normal HSO operations). Such diversification strategies may or may not involve an integration strategy as well.

** Retrenchment -- reducing the scope or intensity of products/services offering, withdrawing from a particular market, or decreasing capacity in terms of facilities, supplies, staff.

** Interorganizational Linkages -- joint ventures, mergers, development of multiorganizational systems vis-à-vis integration (horizontal/vertical) strategies.

** A number of factors will affect the specific strategy choice(s) that an HSO will select from for the purpose of accomplishing organizational objectives. These include the type of HSO making the strategy choices, the decision-making style of senior-management within the HSO, organizational culture, relative competitive position of the HSO in the market, etc.

** The resulting choice(s) among organizational strategy alternatives will include those choices that are believed to allow the HSO the best opportunity to achieve its stated objectives, taking into consideration all relevant aspects of the HSO’s environment that impact this task (external threats and opportunities, internal strengths and weaknesses).

** Once strategies are chosen, operational plans, programs, policies and procedures are developed for the various functional units within the HSO and subsequently implemented across the board. The results of such strategy implementation are then continuously monitored for control purposes, with corrections in strategic approach made, if needed, where objectives are not met.