Guiding Organizations to Success

I had the honor of giving a lecture on strategic planning at Duke University a few weeks ago with my colleague Michael Taylor, the CEO of SchellingPoint. I thought you may find a couple of the key concepts that we shared beneficial to your organization. The case study below, which we presented to the executives in attendance, illustrates these concepts.

-Tracy

Three Common Oversights in Strategic Planning

How to deal with assumptions, unintended consequences, and barriers to success

When most leaders do strategic planning they focus on only one of the four key areas—Goals and how to achieve them. By spending minimal time discussing the other three critical areas, many strategic initiatives fail to reach their potential. Before setting strategic goals, leaders should cultivate a full dialogue on underlying assumptions, potential unintended consequences, and barriers to success.
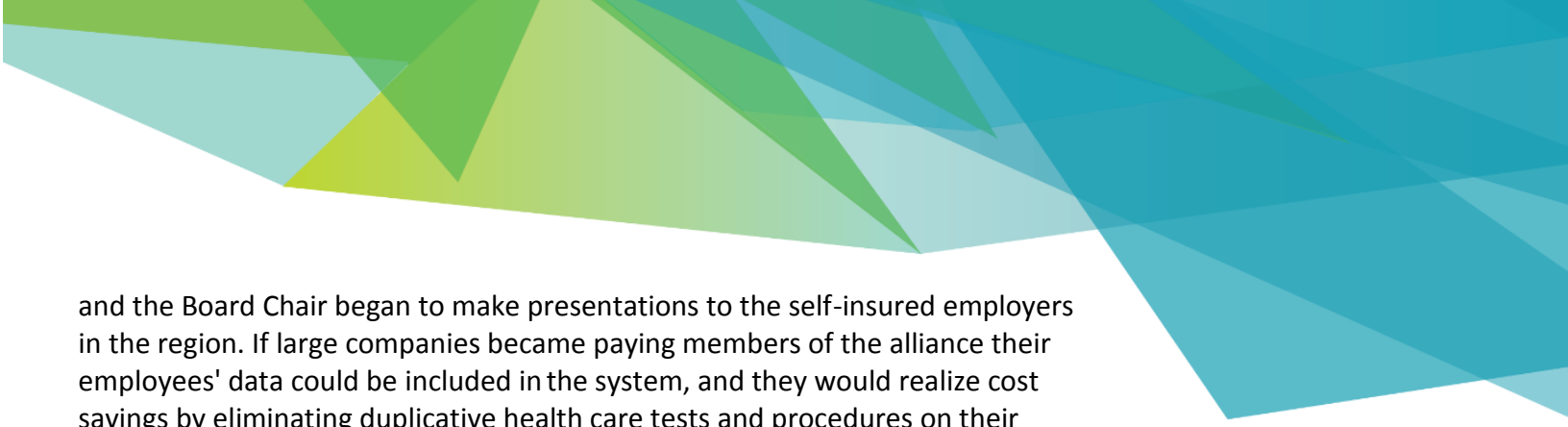
The following is a case study to illustrate the importance of discussing Assumptions, Unintended Consequences and Barriers to Success during a strategic planning process. It highlights how dialogue in these three areas, in addition to Goal setting, leads to strategic planning that fosters alignment and results in a smooth execution of a strategic initiative. The case is from The HITA Group, a regional health care information technology alliance comprised of doctors, hospitals, insurance companies, and government representatives.

The HITA Group needed a strategy to become financially self-sustaining as the American Recovery & Reinvestment Act (ARRA) funding was being phased out by the federal government. Long term funding is a significant issue facing similar non-profit organizations across the country. The HITA Group received revenue from three sources of funding: insurance companies, health care providers and grant funding. The

strategic question on the table was how to increase the funding from each of these groups in light of the ARRA cuts.

Assumptions: By discussing assumptions two strong leaders in conflict over a stated strategy learned they had assumed different meanings for the word "payer." When they began using the same definition a completely new solution and a new revenue stream emerged that they both endorsed.

The default solution to financial sustainability was being advocated by the Board Chair, a government official. He said the insurance companies should be mandated to pay more for the technology to exchange health care information. He reasoned that as payers they were getting most of the cost savings through information sharing because it led to the elimination of redundant and unnecessary medical tests for which they would no longer be paying. The insurance company CEO on the Board said, "NO Way!" to paying more. Through a dialogue on assumptions they discovered that the Board Chair considered insurance companies to be payers, but the insurance companies said that self-insured employers in the region were actually the majority of payers. As a result of this definitional alignment, The HITA Group had a shift in strategy. Rather than being in conflict with each other, the insurance company CEO

and the Board Chair began to make presentations to the self-insured employers in the region. If large companies became paying members of the alliance their employees' data could be included in the system, and they would realize cost savings by eliminating duplicative health care tests and procedures on their employees. The result was a new and significant revenue source from large companies in the region.

Unintended Consequences: After a dialogue on the potential unintended consequences of the stated goals, a staff member of The HITA Group generated a creative technology solution to reverse rising operational costs.

A strategic goal of The HITA Group was to access each and every grant available to fund the development of new technology. The Board had not previously discussed the unintended consequence of that goal, which was that grants paid for the development of capabilities but did not cover the ongoing maintenance of them. The maintenance costs of new features were causing The HITA Group's expenses to increase exponentially without revenue to offset these costs. A point in the dialogue was that not all of the features required by the granting organizations were valued by The HITA Group members, yet they had to develop all of them to receive the grant. Listening to the conversation one of the technical staff members was able to generate a creative strategic solution. She suggested that The HITA Group develop all the features to meet the requirements of the grant, but if there was not enough member interest in specific features to pay for the ongoing maintenance, they would disable that feature.

Barriers to Success: By overcoming a group norm to stifle naysayers, a previously unknown barrier related to training preferences was surfaced. This discussion of barriers led to an improved training program as well as increasing a new product revenue stream.

The HITA Group had developed a web-based software application for office managers of physician practices, but it wasn't selling as well as hoped. The Board heard that physician practices were "not getting value" from it. To provide context to this example, there was one HITA Group member who vocally disagreed with any new idea, providing a litany of all the reasons that it wouldn't work. She was labeled a negative force in the group and was shunned in general. She was also shut down whenever she tried to bring up a potential barrier to success. By creating a situation where bringing up barriers was encouraged, the group learned that this woman had information directly from the office managers. When they said they were "not getting value" they meant that they were not able to attend the training sessions being offered to realize the value of the application. These training sessions had been held centrally at a hospital in the major city in the region, but most office managers couldn't afford the time to travel and attend them. The office managers preferred webinar training in small increments over time. Although the strategy to develop this style of training increased the expenses, it added the revenue stream for the software application that had been dismissed as a failure.

These three examples from The HITA Group illustrate how intentional strategic planning that encourages the discussion of underlying Assumptions, potential Unintended Consequences of achieving goals, and an open discussion of Barriers to Success leads to better results than what most groups do in strategy sessions when they immediately jump to the Goals and how to achieve them.

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