As with Chapter 8 it is useful to begin the lecture with a diagram of the value chain. We structure the lecture for Chapter 9 as a continuation of Chapter 8, first discussing the top portion of the value chain and then moving to the support activities. The strategic thinking maps and the underlying logic of the two chapters are similar. Exhibit 9-2 provides the general plan for the lecture and as the Exhibit suggests developing value adding support strategies involves comparing the results of internal analysis with the requirements of the selected strategies. Through this process the decision makers must determine whether the characteristics of culture, structure, or strategic resources should be maintained or changed. This information provides a basis for unit action planning (Chapter 10).

We think that it is important that the instructor go into a fair amount of detail in discussing each of the support areas. Although these areas were briefly covered in Chapter 4, this chapter surfaces the components of each area and provides a better sense of why and how these areas create value for the organization. Each section in the chapter (culture, structure, and strategic resources) concludes with guidance on maintaining or changing the area. These bullet points provide an initial map for taking action in the support area. Remind students that these bullet points are only to initiate thinking and are not necessarily the answer.

As noted in IM Chapter 8 and in the Preface to the text, previous editions of this text contain separate functional chapters – marketing, information systems, finance, and human resources. These functional areas are now subsumed in Chapters 8 and 9. Chapter 8 concerns primarily operations and marketing and Chapter 9 concerns culture, organization structure, finance, information systems, human resources, facilities and equipment management. It is our view that this change in approach to strategy implementation better reflects the type and level of decisions that are actually strategic (less functional detail) in nature and the actual involvement of leadership in the strategic management process. In addition, health care students now enter the strategy course better prepared in the administrative disciplines. As a result, most of the material that was contained in the functional chapters in the first three editions is now redundant to their previous courses. Here we draw the distinction between what is strategic and what is functional. The strategic issue (and where strategic leadership is involved) is deciding whether the current ways of doing things (service delivery, culture, structure, human resources, finance, and so on) will achieve the strategy or should be changed. Therefore, we try to address what is truly strategic in nature (the decisions where strategic leadership should be concerned) and leave the development of functional expertise to dedicated functional courses.
LECTURE NOTES

Introductory Incident: St. Vincent Hospital’s Focuses on Value-Adding Support Strategies. St. Vincent’s Hospital is the primary unit in a multi-focus delivery system that provides technologically advanced health care in a competitive metropolitan market. Home health services, emergency care, and ambulatory care are provided in addition to inpatient care. St. Vincent established strategic goals to improve its financial position through product and market development. Key in its implementation of the strategy was the value adding support strategies. To achieve its expansion strategy required a major changes in St. Vincent’s information system as well as collaborative changes in the organization’s culture, structure, human, financial, and technology resources. By identifying key value adding support implementation requirements and aligning the culture, structure, and strategic resources, St. Vincent Hospital is achieving its mission, vision, goals, and strategies. St. Vincent Hospital illustrates the importance of the support activities in creating competitive advantage. In addition, it highlights the need for strategies to be developed for culture, structure, and the various strategic resources – human, information, financial, and technology.

I. Value Adding Support Strategies. Learning Objective 1 and 2

A. The lower portion of the value chain contains the support activities and includes the organization’s culture, structure, and strategic resources.

B. It is important that the value adding support strategies be consciously aligned so as to accomplish the strategy. Therefore, the support strategies for each area cannot be evaluated or developed in isolation. As illustrated in Exhibit 9-1, the support strategies should work together and create momentum for the organization.

II. Decision Logic for the Value Adding Support Strategies. Learning Objective 3 and 4

A. The value adding support strategies are a part of the implementation strategies that accomplish the directional, adaptive, market entry, and competitive strategies and facilitate the accomplishment of the service delivery strategies.

B. A strategic thinking map depicting the rationale is illustrated in Exhibit 9-2.

III. Organizational Culture. Learning Objective 4

A. Organizational Culture – Defines the implicit, invisible, intrinsic, and informal consciousness [assumptions and values] of the organization that guides the behavior of individuals [behavior norms] and shapes itself out of their behavior.
1. Shared assumptions -- common understandings.
2. Shared values – “the way we do things.”
3. Shared norms – accepted behaviors.

B. Organizational Culture is Learned – culture influences all aspects of what goes on in the organization, including how we feel about what we do, how we do our job, what we believe is important to accomplish, and why we think different things are important or unimportant.

C. Organizational Culture is Shared – shared understandings and meanings are important because they help employees know how things are to be done.

D. Culture is Subjective and Objective.

E. Developing Adaptive Cultures – those cultures that assist in anticipating and adapting to environmental changes are associated with superior performance over the long run.

IV. Matching Strategy and Culture. Strategic leaders must decide if the organization’s culture can help achieve the strategy. Therefore, they must assess what assumptions, values, and behavioral norms are necessary to most effectively carry out the strategy. Attributes of the current assumptions, values, and behavioral norms must be compared with the assumptions, values and behavioral norms required by the strategy.

A. In maintain the organizational culture manages should:

1. Communicate the mission, vision, values, and goals – verbally and in writing.
2. Behave in ways that are consistent with the values and vision – through the personal behavior, whom they hire, whom they promote, and what they reward.
3. Review and discuss the values and behavior norms periodically.

B. Changing the organizational culture can be difficult and takes a great deal of time and energy. In internal environmental analysis, where culture was viewed as a weakness or the requirements of the strategy call for a different culture, culture change strategies should be initiated. In changing the culture managers should:

1. Clarify the mission and vision and discuss the types of values and behaviors that would best achieve the vision.
2. Discuss and codify the values and behavior norms.
3. Live by the values from the very beginning.
4. Review and discuss the values and behavior norms periodically.
5. Create an atmosphere of perceived “crisis” in the organization.
6. Clarify the vision and indicate what changes are necessary to achieve the vision.
7. Communicate the mission, vision, values, and goals widely and repeatedly.
8. Model the kinds of behaviors and practices they want infused into the organization, through their own actions.
9. Empower other people to start acting in ways that are consistent with the desired values, and to implement new behaviors and practices.
10. Look for some quick but sustainable successes.
11. Demonstrate patience and persistence.

V. Organizational Structure.

Learning Objective 4

A. Once the directional, market entry, competitive, and service delivery strategies have been developed, management must determine what organizational structure will best facilitate the strategy.

B. Over time the structure can be changed to meet the needs of the proposed strategy.

C. Organizational Structure Building Blocks

1. Functional organization structures organize activities around the strategy critical activities or processes of the organization. Functional structures are the most prevalent for single product or service and narrowly-focused organizations.
2. Divisional structures create several smaller, more focused, semiautonomous strategic business units (SBUs). Typical divisions might be based on geography (markets) or products/services.
3. Matrix structures organize around problems to be solved rather than functions, products, or geography.

D. Combination Strategies -- most health care organizations are rarely organized using a single structural building block. Rather, health care organizations, similar to most business organizations, find it necessary to mix and often supplement the basic design using:

1. project and product teams.
2. cross-functional task forces.
3. venture teams.
4. reengineering teams.
5. executive and standing.

VI. Matching Strategy and Structure. Is there is a good match between the characteristics of the current organization structure and the requirements of the strategy?

A. If there is a good match, maintaining the present structure indicates management should:
1. Evaluate the present level of communication and coordination and
discuss needed additional communication channels and
coordinating mechanisms.
2. Evaluate the present level of control to ensure there are
opportunities for innovation where appropriate.
3. Evaluate the management team to ensure that the leadership skills
match their positions.
4. Inventory the present skills to ensure that they are matched to the
structure and strategy.
5. Evaluate training needs and implement necessary training.

B. If the comparison of the present structure and requirements of the
strategy suggest a need to change the basic organizational structure,
then management must develop a plan and move very carefully. When
changing the structure, management should:

1. productivity gains in the future. Develop a flow chart of the total
process, including its interfaces with other value chain activities.
2. Simplify first, eliminating tasks and steps where possible and
analyzing how to streamline the performance of what remains.
3. Determine which parts can be automated (usually those that are
repetitive, time-consuming, and require little thought or decision).
4. Consider introducing advanced technologies that can be upgraded
to achieve next-generation capability and provide a basis for
further
5. Evaluate each activity to determine whether it is strategy-critical.
Strategy-critical activities are candidates for benchmarking to
achieve best-in-industry performance status.
6. Weigh the pros and cons of outsourcing activities that are non-
critical or that contribute little to the organizational capabilities and
core competencies.
7. Compare the advantages and disadvantages of the organization
building blocks regarding standardization and flexibility.
8. Design a structure for performing the activities that remain;
reorganize the personnel and groups who perform these activities
into the new structure.

VII. Strategic Resources.
Learning Objective 4

A. Key strategic resources include financial, human, information systems,
and technology.

B. All organizational strategies have financial implications. Expansion,
contraction, or maintenance of scope adaptive strategies will require a
financial implementation strategy.
1. Expansion and maintenance of scope strategies frequently make it necessary for health care organizations to enter the capital market or make arrangements to borrow money from one or more financial institutions.

2. Expansion of scope, such as market development, may be carried though acquisition of a competitor (horizontal integration) and involve hundreds of millions of dollars.

3. Maintenance of scope strategies directed toward enhancement of facilities, equipment, quality of services, and so on will often require new capital and operating funds.

4. Contraction of scope strategies require equally challenging financial decision making. Divestiture, liquidation, harvesting and, in some cases retrenchment, converts financial resources, at least temporarily, into cash or near cash assets.

C. Successfully implemented strategy is inextricably connected to having committed, high performance employees.

1. Expansion strategies such as related diversification will make it necessary to recruit new personnel with skills and talents similar to those already in the organization.

2. Unrelated diversification and backward and forward vertical integration will create the need for human resources with skills and talents quite different from those presently employed.

3. Contraction involves different human resources management skills. Incentives must be devised to encourage employees to find other jobs or to retire earlier than anticipated.

D. Information systems (IS) are an essential competitive resource for health care organizations and are critical to support strategic decision making, administrative operations, and patient care in an increasingly information intensive industry. Information systems in healthcare may be divided into four general categories:

1. strategic decision support,
2. administrative,
3. clinical,
4. electronic networking applications.

E. The technologies selected by the organization are dictated by the chosen strategies. Broadly, strategic technologies concern the type of facilities, the type and sophistication of equipment, and management of technology. Each of these activities is critical to the successful implementation of the organization’s strategy.

VIII. Matching Strategic Resources to the Strategy.

A. If there is a match between the present level of strategic resources and the requirements of the strategy then efforts should be made to
maintain the financial, human, information resources, and technology. In maintaining strategic resources the leader should:

1. Financial
   - Evaluate whether current financial resources are being used efficiently.
   - Determine whether the liquidity is appropriate for meeting ongoing expenses.
   - Seek ways to increase profitability without sacrificing other strategy critical factors.
   - Assess the current level of leverage to determine whether there is an appropriate level of risk.
   - Determine whether asset activity can be improved.
   - Assess cash flow management.
   - Consider investment opportunities for idle cash.

2. Human Resources
   - Develop training programs to maintain the current human expertise and capabilities.
   - Develop a management succession plan.
   - Develop a job market network for strategy critical skills.

3. Information Systems
   - Assess information system growth needs.
   - Develop an information system plan for operations and upgrades.

4. Technologies
   - Make sure there is a plan for facilities and equipment maintenance.
   - Develop a facilities and equipment replacement schedule.
   - Periodically review the operating procedures, policies, and rules to keep them “lean.”
   - Review environmental services activities and procedures.
   - Evaluate current security procedures.
   - Evaluate food service activities.
   - Evaluate operation and maintenance procedures.

B. If there is a poor match between the present level of strategic resources and the requirements of the strategy, the process should be to change the financial, human, information resources, and strategic technologies to meet the needs of the strategy. To change the strategic resources the leader should:
1. Financial

- Assess whether the current revenue can finance the change.
- Investigate the opportunities to finance the change through the issuance of stock and the infusion of additional equity.
- Investigate the opportunities to finance the change through bonds, mortgages, bank loans, fund raising or philanthropy.

2. Human Resources

- Assess job markets to determine the availability of individuals possessing the new required strategy critical skills.
- Begin recruiting for new strategy critical skills.
- Develop training programs to retrain individuals whose skills are no longer appropriate.

3. Information Systems

- Consider outsourcing information systems when change needs are significant.
- Assess the impact of change needs on IS.
- Assess needs of information systems in pre-service, point-of-service, and after-service activities.

4. Technologies

- Identify the exact specifications of the need for facilities, equipment, or processes.
- Perform cost analysis on the required changes.
- Develop timelines for the changing of the technologies.
- Investigate the financing alternatives for the required changes.
- Investigate any new required skills or experience to operate or maintain the new facilities or equipment.
- Specify any new required processes or ways of doing things.
- Initiate the facilities, equipment, and technology management renewal.

IX. Extending the Strategic Thinking Map.

Learning Objective 5, 6, and 7

A. The value adding support strategies provide a powerful means to change the organization and create competitive advantage.

B. Decisions concerning the organization’s culture, structure, and strategic resources are strategic in nature and should be made by strategic thinkers.
C. Text Exhibit 9-7 is a completed strategic thinking map that compares the results of an internal environmental analysis against the value adding support strategies requirements for a long-term care organization. This map extends and further articulates the strategic thinking maps developed in strategy formulation and the development of the service delivery strategy. As with service delivery strategies, guidance for carrying out the support strategies is provided so that unit managers may develop effective unit action plans that are tied directly to the organization’s strategy.

QUESTIONS FOR CLASS DISCUSSION

1. What part does internal environmental analysis play in the development of value adding support strategies? What part does strategy formulation play?

   Internal analysis provides a profile of the organization’s present strengths and weaknesses and their competitive relevance. This internal analysis must be compared with the requirements of the strategies selected in the strategy formulation stage of the strategic management process. A comparison of the present strengths and weaknesses with the requirements of the strategy will suggest where the value adding support areas need to be maintained or changed. For those value adding support areas (organization culture, organization structure, and strategic resources) that match the requirements of the strategy, maintenance strategies will be undertaken. For these areas that are not adequate to perform the selected strategy, change strategies must be initiated.

2. How do the value adding support strategies create the “context” for strategy implementation?

   Once the service delivery strategies (relating to the primary value adding activities) are formulated, support strategies that provide the appropriate organizational context and resources may be developed. The activities of service delivery (pre-service, point-of-service and after-service) are primarily operations and marketing. These functions are the fundamental value producing activities. (the “making” and “selling” of a good or service). The value adding support activities provide the environment or context to do the work. The organization’s culture, structure, and strategic resources (financial, human, information, and technology) provide the means for accomplishing the operations and marketing.

3. What is organization culture? How does it implement strategy?

   Organizational culture is defined as the implicit, invisible, intrinsic, and informal consciousness [assumptions and values] of the organization that guides the behavior of individuals [behavior norms] and shapes itself out of their behavior. Therefore, organization culture may be thought of as:

   • shared assumptions,
   • shared values, and
   • behavioral norms.
As suggested in Question 3, culture provides the context for strategy implementation. The assumptions, values, and behavioral norms create the everyday work habits and processes for carrying out the work of the organization.

4. Why is culture change so difficult in health care organizations? What are some ways leaders could make culture change easier?

Assessing the receptivity of an organization to any proposed strategy is an important step in implementation. This assessment requires investigation of both the subjective and objective dimensions of culture. Many of the subjective aspects can be inferred from the understood distinctiveness of the organization (the mission), the hope that the members have for the future (the vision), and the principles they hold dear in accomplishing the mission (the values). Culture change is particularly difficult in health care organizations because cultures are often so strong and have been infrequently questioned.

One of the greatest challenges for leaders in health care organizations is to convince people that change need not be a threat but can present important opportunities. The most effective means of changing organizational culture is to focus on the artifacts of the culture and change them to reflect the values needed in the future. This involves the skillful use of heroes, rites, ceremonies, and so on.

5. What are the basic building blocks of strategy? What are the advantages and disadvantages of each?

There are three fundamental organization designs that form the basic building blocks for organizations. These basic building blocks are:

- functional structure,
- divisional structure (SBU), and
- matrix structure.

<table>
<thead>
<tr>
<th>Functional Structure Strategic Advantages</th>
<th>Functional Structure Strategic Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Builds a high degree of specialization</td>
<td>• Fosters “silo thinking” – narrow specialization</td>
</tr>
<tr>
<td>• Fosters efficiency</td>
<td>• Slows down decision making</td>
</tr>
<tr>
<td>• Centralizes control and decision making</td>
<td>• Makes horizontal communication difficult</td>
</tr>
<tr>
<td>• Develops functional expertise</td>
<td>• Makes coordination difficult</td>
</tr>
<tr>
<td></td>
<td>• Limits the development of general managers</td>
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</table>

<table>
<thead>
<tr>
<th>Divisional Structure Strategic Advantages</th>
<th>Divisional Structure Strategic Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Forces decision making down the organization</td>
<td>• Makes it difficult to maintain a consistent image/reputation</td>
</tr>
<tr>
<td>• Allows different strategies among divisions</td>
<td>• Adds layers of management</td>
</tr>
<tr>
<td>• Fosters improved local responsiveness</td>
<td>• Duplicates services and functions</td>
</tr>
<tr>
<td>• Places emphasis on the geographic region or product/service</td>
<td>• Requires carefully developed policies and decision making guidelines</td>
</tr>
<tr>
<td></td>
<td>• Creates competition for resources</td>
</tr>
</tbody>
</table>
- Improves functional coordination within the division
- Identifies responsibility and accountability
- Develops general managers

Matrix Structure Strategic Advantages
- Develops functional expertise
- Allows for a variety of product/project developments
- Allows for the efficient use of functional expertise
- Encourages rapid product development
- Fosters creativity and innovation

Matrix Structure Strategic Disadvantages
- Causes difficulties in management
- Violates the unity of command principle
- Creates coordination and communications problems
- Requires negotiation and shared responsibility
- Allows for confusion on priorities

6. In what circumstances might a high level of standardization be required? A high level of flexibility?

Strategy Requirements and Organization Structure

<table>
<thead>
<tr>
<th>Strategy Requirements</th>
<th>High Standardization</th>
<th>High Flexibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>High level of coordination</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>High level of standardization</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Area/Functional expertise</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Main goal is efficiency</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>High level of control</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Develop general mangers</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>High degree of operating autonomy</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Decentralized decision making geared to market</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>High need to customize product or services to market</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Consistent Image</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Need local coordination</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Many projects using similar technologies</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Need high level of creativity and innovation</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Need high level of stability</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Need to develop new technologies</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Need to be a cost leader</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Need to have service diversity</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Large organization</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

7. Which do you think changes first, strategy or structure? After formulating your answer and making your case, argue the opposite position.
This issue has been debated for years in strategic management. Alfred Chandler, as noted in the chapter, initiated much of this controversy and suggested that structures of organizations follow strategies that are formulated. Thus, changes in organization structure can be looked on as important implementation measures and the result of changes in strategies.

In many ways, this remains the most appealing of the two positions. However, some have argued that strategies are driven by structures. Perhaps the best compromise, and the position supported by a substantial amount of research, is that these two factors are so closely interrelated that attempts to separate them in a cause and effect sense are futile.

8. What are the primary differences in the financial strategies need for expansion, contraction, and maintenance of scope?

In some cases the financial strategies needed for the different adaptive strategies are quite diverse and in other cases they are similar. For example, acquisitions of new debt and equity funds are most often associated with expansion strategies. However, new capital via debt or equity may be needed for enhancement under stabilization strategies. Moreover, funds generated from present operations may be used for any new capital needs.

From a strategic perspective, contraction is probably the most difficult adaptive strategy to implement because of the emotional, ethical, and social responsibility implications. However, all adaptive strategies have their own set of implementation challenges. Going to the equity market can be time consuming and emotionally taxing as can arranging long-term bank financing. Implementation is a difficult stage of strategy. Some argue this stage is the most neglected.

9. How may a growth strategy be financed? What are the advantages and disadvantages of each?

Expansion and maintenance of scope strategies frequently make it necessary for health care organizations to enter the capital market or make arrangements to borrow money from one or more financial institutions. Expansion of scope, such as market development, may be carried though acquisition of a competitor (horizontal integration) and involve hundreds of millions of dollars. Similarly, maintenance of scope strategies directed toward enhancement of facilities, equipment, quality of services, and so on will often require new capital and operating funds. Important options for adding financial resources to carryout the strategy include:

- capital acquisition – equity and debt,
- other forms of debt acquisition,
- fund-raising and philanthropy.

10. Why is cash flow important in implementing strategy?

One of the more difficult problems faced by health care organizations is the effective management of cash flow. Increasingly, all organizations have recognized
that it is not enough to be profitable or to grow at a rate equal to or better than others in the industry. The inflow of cash must be related to the outflow. Although the organization may have large billings to patients, if payment has not been received, it will be forced to borrow to meet obligations at the end of the month. This involves extra expenses and is simply not good financial management. Therefore, cash-flow management is an important measure of the organization’s financial capability.

11. What are the primary differences in the human resources strategies needed for expansion, contraction, and maintenance of scope? Which type of adaptive strategy is most difficult to implement from a human resources perspective? Why?

The fundamental orientation of human resources strategies are different for different adaptive strategies. Expansion of scope strategies, for example, require human resources strategies that are designed to locate, recruit, and hire the employees needed to accomplish the mission of the organization under growth conditions. The problems are essentially associated with managing growth and they can be quite challenging.

Expansion or maintenance of scope strategies requires innovative human resources management strategies. They must focus on job designs that require close interaction and coordination among groups of individuals. Job descriptions in innovative organizations tend to be less specific in order to allow employees to develop multiple skills. In addition, these “loose” job descriptions allow for broader career paths and encourage individuals to move to where they are needed most in the organization. Although pay levels are not always high, compensation programs emphasize equity among group members and flexibility so that employees can design their own compensation packages to the extent possible.

Human resources strategies under conditions of contraction of scope are perhaps the most difficult to manage because the options are often quite limited and distasteful. In extreme cases, employees must be terminated and the only assistance that can be offered is aid in finding another job. In less urgent situations, employees may be encouraged to retire early and incentives may be offered. Positions may not be filled when someone leaves the organization, and so on. Although these latter options are less objectionable than layoffs, they create a number of human resources questions. For example, “How do we keep people motivated in the midst of layoffs and downsizing?” “How do we keep good people if we cannot promise them opportunities for advancement?” Clearly, human resources decisions during contraction are the most difficult to manage.

Cost-reduction strategies (whether motivated by contraction or maintenance of scope) require a particular type of human resources management. The emphasis is on carefully designing and defining jobs that contribute to efficiency. Performance appraisal systems emphasize short-term results that directly affect quantified goals. Because jobs are narrowly defined, career paths tend to be equally narrow. Under a cost-reduction strategy, nurses enter the organization as nurses, do their jobs, and retire as nurses or perhaps nurse supervisors. The same is true of engineers and
financial administrators. There is relatively little training and development because of the expense required and the uncertainty of a direct payoff.

When the focus is on quality (maintenance/enhancement strategies), human resources management must change. Jobs tend to remain relatively fixed and narrow, but the “experts” or specialists have more input into how their jobs should be done in order to improve quality. Although appraisals tend to be short-term and oriented toward specific results, there is more emphasis on group performance. Because quality demands the latest information, there is a high commitment to training and development.

Maintenance of scope strategies call for consistent human resources strategies. Interestingly, maintenance conditions can often provide just the needed environment to “take a breather” from rapid growth and provide opportunities for training and development that will be needed in the future.

12. What are the general categories of information systems? What are the attributes of each?

Information systems in health care may be divided into four general categories, strategic decision support, administrative, clinical, and electronic networking applications. A strategic information system (SIS) has been defined as one that is any combination of computers, workstations, software systems, and communications technology used to gain competitive advantage. Such systems draw upon both internal data from clinical and administrative systems in the organization as well as external data on community health, market demography, and activities of competitors. Strategic information systems, sometime referred to as decision support systems (DSS), attempt to take vast quantities of unorganized data and turn them into useful information for managers to make better decisions. Such information systems involve organizing the data, selecting the models that will analyze the data, and interpreting the output. However, it is not sufficient simply to provide the reports to the strategist. Sometimes there is a need to interpret and clarify the data relative to the assumptions that were used. Because decision support systems attempt to investigate future activities, the assumptions are critical. The organization that can design a strategic IS that is pertinent, relatively accurate, and timely will have developed a competitive advantage. Administrative information systems support areas other than direct patient care and include financial information systems, human resources systems, payroll, billing, purchasing, materials and facilities management, outpatient clinic scheduling, office automation, and so on. Clinical information systems support patient care and include computerized patient records systems, automated medical instrumentation, patient monitoring systems, nursing information systems, laboratory information systems, pharmacy information systems, clinical decision support systems, and information systems that support clinical research and education.

13. How can information systems be used to develop competitive advantage?

Important contributions of IS are developing competitive advantage by lowering costs, enhancing differentiation, changing competitive scope, and improving
customer service levels. More specifically, IS may be utilized to provide a competitive advantage in four general ways:

- Leverage organizational processes – improve organizational processes by making them faster, less expensive, less error prone, more convenient, and more available.
- Enable rapid and accurate provision of critical data – improve strategic, administrative, and clinical information.
- Enable product and service differentiation and, occasionally creation – add value though product enhancements and customizations or new product themselves such as web-based information services; and
- Support the alteration of overall organizational form or characteristics – improve service quality orientation, communication, decision making, and collaboration.

14. What changes are information systems bringing to health care?

Information systems are bringing changes in both the clinical and administrative activities of health care organizations. Clinically, changes will occur in patient care, medical information, and medical research, collectively referred to as medical informatics. Examples include: bedside data entry and the computer based electronic patient record, more effective use of outcomes data, long distance diagnosis through an interactive information highway, and more.

Administratively, changes include: faster and more accurate billing including reimbursement processes; sharing of information with single point data entry; increased emphasis on security of medical information; just-in-time inventory management and scheduling of operating rooms, beds, and so on; linking different facilities (doctors offices and the hospital or home, for example); integrated systems that are paperless; efficiencies in medical record keeping, storage, and retrieval, and many more.

15. Why is facilities management an increasing concern for strategic management?

The physical facility is the “shell” within which health care is delivered. Facilities support the delivery of quality health care services. At a very pragmatic level, the physical facilities of a health care organization are the first things encountered by patients, visitors, and employees. Inadequate parking, cluttered halls, and ill-kept lawns signal poor quality and a lack of organizational pride. In this sense, physical facilities are the “matrix” of health care and should be carefully designed and maintained. In addition, the operating costs for facilities have increased rapidly in recent years. Prior to the emphasis on health care reform, the increased costs were routinely passed on to patients in higher prices. With far more attention focused on the cost of care, management has to determine ways to control facilities costs without lowering quality of care.

16. How do facilities affect a health care organization’s strategy?

Physical facilities can affect strategy in a variety of ways. At the level of adaptive strategies, an organization can conceivably be forced into a stabilization
mode because of inadequate facilities. By the same token, construction of large and more than adequate physical facilities can provide the incentive for the initiation of expansion strategies and increased marketing efforts.

Market entry strategies can be affected by physical facilities, as well. An organization with inadequate physical facilities, for example, may find it necessary to merge with another organization to obtain the specialized facilities necessary to respond to new market opportunities. Decisions to engage in certain medical technologies may actually be determined on the basis of the physical facilities they require. Expansion aspirations may be limited by the land available for parking. In other words, physical facilities do influence strategic decision making in a variety of ways.

17. How can the equipment-technology decision create competitive advantage?

Equipment and facilities reflect the basic technology decision of the organization. If the strategy is based around state-of-the-art technology the facilities and equipment must support that strategy. High-tech, state-of-the-art technology has been a successful strategy and competitive advantage in health care because it is valuable, often rare with only one institution in a market with the technology, difficult to imitate because of the high expense, and is usually sustainable.

18. How might future internal analyses be affected by the value adding support strategies?

Along with the service delivery strategies, the value adding support strategies are focused inward toward maintaining or changing the organization. For those areas that are to be maintained, a future internal analysis should indicate that the strengths or competitive advantage has been maintained. For those value adding areas that have carried out change strategies, the organization should be quite different and new areas of strength will be identified or areas that were previously weak should be improved. Just as strategy changes the external environment creating new rules for success for all competitors, value adding strategies change the organization in order to support the strategy and create new competitive advantages.
CHAPTER 10

Implementing Strategy Through Unit Action Plans

SUGGESTIONS FOR EFFECTIVE TEACHING

This chapter can be effectively used to answer the legitimate “so what” question that is often asked in strategic management. Much of the time that is devoted to discussing strategic management is spent in developing the data necessary to make strategic decisions and to formulate strategies. Little time is spent on strategic implementation. We often say that implementation takes place after the high priced consultants get on the airplane leaving the organization’s leaders with the practical task of turning strategy into action.

The development of unit action plans should be thought of as an essential part of strategic management. We use this chapter as an opportunity to talk about making sure our budget system allocates resources according to strategic priorities and our performance evaluation system rewards people for contributing to the strategy as well as the tactics of health care organizations. We underscore the integrative nature of strategic management. Implementation provides a good opportunity for students to think back over their accounting (budgeting), marketing (promotion), economics and finance (performance measurement), human resources (performance evaluation and rewards), and organizational analysis (delegation of authority) courses.

LECTURE NOTES

Introductory Incident: Implementing Health Plans in Turkmenistan. The Introductory Incident can be used to attract attention to implementation issues in a couple of ways. First, students rarely think of business planning as part of strategic planning. This example can be used to illustrate how important it is to make business action planning part of strategy implementation. Second, many students who are interested in health care are also interested in health care in an international setting. This Incident can be used to demonstrate how business planning practices apply not only to health care organizations in the United States but also in other parts of the economically developed world. This experiment is taking place in a less developed nation.

An important question, of course, is whether strategic and business planning is likely to be used in an economically less developed nation. Again, this provides a natural bridge into the importance of the external environment in formulating and implementing strategy.

I. Implementing Strategy.

   Learning Objective 1

   A. The goal of situational analysis is to understand the current situation through a systematic analysis of the external and internal environment as well as careful consideration of the organization’s directional strategies – mission, vision, values, and strategic goals. Situation analysis is the data gathering and analysis stage of strategic management.
B. Strategy formulation relies on an understanding of the situation and thus an understanding of the data generated throughout the process of situational analysis. Value adding implementation strategies are designed to “make the adaptive, market entry, and competitive strategies happen.”

C. Unit action planning provides a map to the functional units as to how they can contribute to the accomplishment of organizational strategies. In a sense, it is accurate to think of unit action plans as a means of programming strategic goal accomplishment. Effective unit action planning requires unit objectives, a list of the activities required to accomplish each unit objective, time estimates for activity accomplishment, and the assignment of responsibility (and authority) for ensuring the activities are accomplished.

D. Research indicates that seven out of ten strategies are never implemented. This research underscores the importance of understanding strategy implementation if strategic management is to be anything more than an academic exercise.

II. Why Strategies Are Difficult To Implement

Learning Objective 2

A. Limited success in strategy implementation is a result of:

1. More attention being given to strategy formulation and its link to organizational performance than strategy implementation.

2. The culture of the organization being ignored as a major determinant of successful strategy implementation.

3. Consensus on strategy not being developed.

B. The seven deadly sins of strategy implementation. Thinking about these “sins” will increase the students’ understanding of the challenge of implementation.

1. Lack of rigor, insight, vision, ambition or practicality.

2. People are not sure how to implement the strategy.

3. The strategy is communicated on a need to know basis.

4. Responsibility for different aspects of strategy implementation is not divided.

5. Absence of leadership.

6. Unforeseen obstacles to implementation inevitably develop.
7. Strategy becomes all consuming and distracts from routine and essential operations.

III. Overcoming Barriers To Strategy Implementation.
Learning Objective 3

A. Barriers to effective strategy implementation can be reduced by a number of actions. Leaders play an important role in ensuring:

1. Employees are partners in the implementation process.
2. Cross-functional cooperation.
3. Unit managers and employees support the strategy.
4. The good of the entire organization rather than a single part.
5. Unit managers have a broader look and evaluate success on contribution to the whole organization rather than a single unit. (See Perspective 10-1)

B. Strategic leadership is essential in order to turn the strategy into “something worth doing.” If the strategy is important, it must be included in every aspect of the organization and in all organizational activities.

IV. Making the Strategy Happen.
Learning Objective 4

A. Communication about strategy between strategic leaders and unit managers is essential. Proper guidance to unit managers can allow the development of unit plans that contribute to service delivery and support strategies.

B. For each objective that has been determined to accomplish various strategic goals, specific actions required should be:

1. Identified,
2. Described,
3. Given a set time for completion, and
4. Assigned to a person who would be responsible for completing it.

V. Business Planning and Strategy
Learning Objective 5

A. A business plan is a combination of a strategic and operational plan (see Perspective 10-2). The unit action plan on the other hand, provides details
on how to proceed within the context of a unit (similar to highway numbers, detours, exit numbers, and so on, found on a map).

B. Strategy formulation, value adding service delivery and support strategies and unit action plans are interrelated and are linked to strategic control (see Exhibit 10-1). We have found it useful to spend a great deal of time talking about this exhibit. There is a logic of strategy that flows from situation analysis to strategic control. It is important to highlight for students that implementation and unit action planning fit in the overall logic of strategy.

VI. Setting Unit Objectives
Learning Objectives 4 and 6

A. Unit objectives should possess the following characteristics:

1. They should reinforce organizational strategic goals.

2. They should be measurable.

3. They should identify the time frame.

4. They should be challenging but attainable.

5. They should be easy to understand.

6. They should be formulated with the help of those who will do the work.

B. Unit objectives should be developed to the greatest extent possible by those who actually work in the unit and will be responsible for objective accomplishment.

VII. Unit Action Plans and Budget Request
Learning Objective 7

A. When unit objectives are formulated, it becomes necessary to identify the actions or activities needed to reach them. When the activities are successfully identified, it is possible to determine the resources needed in the budget because the resources required for each activity can be calculated.

B. The timeline of activities should be determined as well as the specific individuals who will be completing different tasks. Responsible individuals should be delegated the authority to ensure each activity is accomplished on time.

C. At this point it may be helpful to refer to Exhibit 10-3 as an illustration that demonstrates the interrelationships of the points discussed.
VIII. Developing Unit Action Plans
Learning Objective 8

A. Unit action plans are an effective way of linking strategy formulation with strategic control. Leadership plays an important role in providing understanding as to how resource allocation is linked to strategies.

B. At this point discuss Exhibit 10-4 with students. It would be especially helpful to discuss a specific, perhaps local example that students can easily relate to.

C. An important goal of unit action plans is the establishment of baseline operation. An estimate of resources to run essential operations is required for this purpose.

IX. Using Action Plans to Create Organizational Momentum
Learning Objective 8

A. Discuss Exhibit 10-4 and emphasize the importance of communication between managers of service delivery and managers of support services in setting unit action plans as well as in resource allocation.

B. Emphasize the importance of involving others in strategic operations. Everyone with a willing heart and relevant skills should be encouraged to participate in strategic management.

C. One point you may wish to make is that people working in a given unit are the best experts on how that unit can contribute to the implementation of the strategy as well as to where it cannot contribute.

D. Exhibits 10-4, 10-5, and 10-6 demonstrate how unit action plans are actually used in organizations.

X. Focusing Strategy Through Strategy Implementation
Learning Objective 8

A. The old view of corporate performance is no longer appropriate in an age where information and service delivery companies dominate the industrial scene (see Perspective 10-4).

B. Initially, the Balanced Scoreboard was developed as a control tool as it was concerned with measurement. In more recent times, it has become more of a strategic tool.

C. Exhibit 10-7, The Balanced Scorecard, allows for the evaluation of organizational operations from four perspectives:
1. The financial perspective.

2. The customer perspective.

3. The internal perspective.

4. The learning and growth perspective.

XI. From Performance Measurement to Strategy
Learning Objective 8

A. The perspectives of the Balanced Scoreboard are useful to unit managers. It allows them to assist in maintaining or changing service delivery and support, address unit customers, internal processes and innovation in service and service improvements.

B. The Balanced Scoreboard approach links the organization’s short-term actions to its strategy. The process involves four elements:

1. Linking vision to organizational and unit objectives.

2. Effective communication and linking service delivery and support strategies as well as the units that comprise them to the larger organization.

3. Action plans that allow for the proper integration of strategic and financial plans.


XII. Mapping Strategy
Learning Objective 8

A. Exhibit 10-7 stresses the value of the Balanced Scoreboard as a tool to focus the organization on the aspects of operations that impact its strategy.

B. The Balanced Scorecard allows the identification of factors that are most likely to influence outcomes and concentration on accomplishing and improving human and non human resources that can be used most effectively and efficiently.

C. At this point, we often ask a member of the class to provide the highlights of the Duke case and then ask other class members to provide their opinions and insights.

QUESTIONS FOR DISCUSSION

1. Carefully explain the relationship between situational analysis and unit action plans.
Situational analysis is the first step in designing a strategy. A good strategy is responsive to the situation both externally and internally. Adaptive, market entry, and competitive strategies are designed to accomplish the strategic goals and move the health care organization in the desired direction.

Unit action planning and unit action plans make the adaptive, market entry, and competitive strategies happen. Properly established unit objectives are anchored in strategies and aid in accomplishing value adding service delivery and support strategies as well as contributing to the directional strategies. Unit action plans link the strategy of where the organization is going to the actions to be taken to achieve it.

2. What are some of the primary barriers to the effective implementation of strategies in health care organizations?

Most of the attention in the contemporary strategy literature is focused on strategy formulation. More attention is given to strategy formulation and its link to organizational performance than strategy implementation. The culture of the organization is frequently ignored and the consensus on the strategy that is essential to successful implementation is neglected. It is likely that strategy implementation takes the back seat to strategy formulation because it is not as exciting. Implementation sometimes appears more routine and there is a tendency for strategic leaders to ignore its importance.

3. For each of the barriers discussed in the previous question, suggest ways that barriers can be overcome.

Barriers can be overcome, or at least reduced, by ensuring that employees are partners in the implementation process. Cross-functional cooperation can be encouraged to discourage myopic thinking and constantly underscoring the importance of looking at the overall good of the entire organization are essential to overcoming the barriers to implementation.

Proper attention should be given to the strategy and its implementation and implementing the strategy should become part of the everyday activities of all people in the organization. Improvement of horizontal and vertical communication within the organization can be important to overcome barriers to strategy implementation. Dialogue is empowering and when it occurs employees have input into strategy formulation. Helping to develop a sense of ownership that will make everyone more dedicated to the implementation of the strategy.

4. What are the primary characteristics of unit objectives? Are these characteristics descriptive of good organizational strategic goals? Why or why not?

- Unit objective should reinforce organizational strategic goals.
- Unit objective should be measurable.
- Unit objective should identify the time frame allowed for accomplishment.
- Unit objective should be challenging but attainable.
- Unit objective should be easy to understand.
• Unit objective should be formulated with the help of those who will do the work to accomplish them.

These characteristics are not different from good organizational strategic goals, in principle. The main difference between unit objectives and organizational strategic goals lies in their focus and breadth. Whereas organizational strategic goals are long-term and emphasize the vision of the organization, unit objectives are more about how to do things within a single unit to accomplish the vision. Or, perhaps more accurately, what individual units should do to assist in the accomplishment of the strategic goals of the organization.

5. List the important components of unit action plans. Which component do you think is the most important, which is the least important? Explain your response.

Unit action plans should identify the actions needed to accomplish each objective, specify the costs and revenues associated with each objective, establish a timeline for each activity, and assign responsibility for the accomplishment of each activity. Everyone of these components is important, flowing logically from one to the other. Doing one without any of the others is detrimental since all are essential to the accomplishment of unit objectives.

6. How do unit plans assist in the allocation of resources in line with organizational strategies?

Unit action plans provide the information necessary to develop budget requests and communicate how units intend to use resources to reach unit objectives. Baseline operations are critical in budget development. They relate to the resources that essential operations require. Without baselines, it is tempting to assume that there is an essential minimum level of funding associated with a budget. It is important in unit action planning to constantly reinforce the idea that budgets must be justified and related to concrete unit objectives that contribute to the accomplishment of organizational strategic goals.

7. Are the costs associated with accomplishing unit objectives the only ones that should be included in budget requests? Why or why not?

Although unit objectives are important and essential in planning for budgets, baseline operations should be included in budget requests. Because budgets should not be considered as having an absolute minimum, there are baseline operations that units are involved in on a day-to-day basis and may not be directly involved in a particular unit action plan. Therefore, not all resource needs are covered by the unit action plans.

8. What is the Balanced Scoreboard? In what ways is it a means of focusing attention on strategy implementation?

The Balanced Scoreboard is a tool that was initially developed as a control technique. It measures various organizational perspectives (usually about four) that contribute to organizational performance (strategic and tactical). In more recent years
the Balanced Scoreboard has been thought of as a strategy implementation tool. By focusing attention on the different perspectives of the Balanced Scoreboard, leaders can use it as a motivational as well as a monitoring tool. The Balanced Scoreboard approach links the organization’s short-term actions to its strategy. The process involves four elements:

- Linking vision to organizational and unit objectives.
- Effective communication to link service delivery and support strategies as well as the units that comprise them to the larger organization.
- Action plans that allow the proper integration of strategic and financial plans.
- Development of feedback and learning.

9. What are the four customary areas in the Balanced Scoreboard that are monitored and presumably account for organizational success? Briefly define each of these areas. Which area do you think is most important and why?

The financial perspective relates to the financial aspects of the organization such as profit growth and productivity. The customer perspective examines the aspects of the organization that are linked to service delivery and support activities that influence customer satisfaction and proper service delivery. The internal perspective examines marketing, quality, and efficiency of operations. The learning and growth perspective focuses on strategic thinking, workforce development, and technological infrastructure.

Each of these perspectives is equally important and interdependent. The Balanced Scoreboard is a holistic way of looking at the organization. Focusing on one without looking at the others is not appropriate.

10. Do the financial, customer, internal processes and learning/growth describe the factors of success in most organizations?

Yes, they do. Failure is usually attributed to lack of attention to one or more of these processes. The important point to note is that these four perspectives provide both tactical and strategic measures. Early in the text it was argued that health care organizations must be both effective and efficient. The Balanced Scorecard is a good tool for keeping an eye on factors that relate to doing the right things and doing them right. The Duke example shows how proper attention to these processes has helped in improving service and reducing costs.

Note: The lecture notes and questions for class discussion for this chapter were prepared with the assistance of Nadar Nassif, Ph.D. student, School of Public Health, University of Alabama at Birmingham.
CHAPTER 11

Control of the Strategy

SUGGESTIONS FOR EFFECTIVE TEACHING

We begin the discussion of this chapter by looking at Perspectives 11-1 and 11-2. We ask students to explain why managing is control and why less management is better than more management. This discussing leads to the conclusion that the purpose of the strategic management process is to control the “behavior” of the organization and that we only use as much control as is absolutely necessary. Thus, control is an inherent part of all the strategic management processes; strategic management itself is an attempt to control the future of the organization. It becomes clear in this discussion that Chapter 11 is really a summary of the entire strategic management process and through the control process we are “recycling” the strategic thinking of the organization. Exhibit 11-3, The Concept of Control and a Framework for Strategic Control, and Exhibit 11-4, the Scope of Control, are central to the discussion. Exhibit 11-3 illustrates the steps of the strategic management process in terms of on-going strategic control and Exhibit 11-4 provides a checklist for “auditing” the strategy.

Discussing Exhibits 11-3 and 11-4 offers a good opportunity to emphasize that strategic management is logically a circular process, and all of its processes are continuous. For instance, situational analysis is not halted so that strategy formulation may begin. Both are continuous and affect one another. In addition, we restate the importance of coping with change. We remind the students that strategic control provides the momentum for change, and change is a fundamental part of survival. As health care managers control and change their organizations, they 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, but strive to create the future. Health care managers must see into the future and create new visions for success.

LECTURE NOTES

Introductory Incident: Forces for Change in the Hospital Segment. Are hospital strategies working? Several general strategies have been employed by hospitals including vertical integration, horizontal integration, integrated delivery systems or networks, virtual integration, and centers of excellence. The dominant issue is which model will prove flexible, resilient, and profitable enough to survive the turbulent decade ahead. There are performance, external, and internal forces that suggest that some hospitals may have to change their strategies. This pressure comes from decreasing profit margins (performance), powerful external forces, and internal forces. Should these hospitals adopt new directional strategies, adaptive strategies, or market entry strategies? Should they change their strategic posture or positioning strategy? Are their value-adding strategies working? How can these hospitals evaluate and control their strategies?
I. The Nature of Strategic Control
   Learning Objective 1

   A. Generally, control involves agreeing upon objectives, measuring performance, evaluating performance against the objectives, and taking corrective action, if necessary. More specifically, control is defined as a combination of components that act together to ensure that the level of actual performance comes as close as possible to a set of desired performance specifications.

   B. All of the elements of strategy must work together. Changes in strategy or any management process must consider its implications for the entire system. System-focused changes tend to be successful while component-centered changes generally are not. Further, organizational changes clearly tied to the strategy tend to work while interventions not clearly tied to the strategy do not work. (Refer to Exhibit 11-1 for a “McKinsey 7-S” type diagram illustrating that the strategy elements must be consistent with each other and be aligned to achieve the goals and vision of the organization).

II. Need for Control of the Strategy.
   Learning Objective 1

   A. Goals and vision guide decision making.

   B. Objectives and roles for individual managers.

   C. Coordinates everyone’s efforts.

   D. A check on consistency.

   E. Provides an early detection system to warn that conditions have changed.

   F. Intervenes to initiate corrective action.

III. The Concept of Control. (See Perspective 11-1 which illustrates that control is managing.)
   Learning Objective 2

   A. Basic elements. (Use Exhibit 11-2.)

      1. Set objectives.


      4. Determine reasons for deviations.

      5. Take corrective action.
B. Characteristics of control.
Learning Objective 3

1. Based on information.
2. Directed toward critical elements unique to each organization and situation.
3. Flexible.
4. Cost effective.
5. Simple. (Refer to Perspective 11-2 for thoughts on managing simply).
6. Timely.
7. Emphasizes the exceptions.

IV. Strategic Control. (Exhibit 11-3 compares the steps of the strategic control model with the general concepts of control.)
Learning Objectives 2 and 4

A. Establish performance standards (largely accomplished in the planning process).

B. Measure organizational performance and compare performance with standards.

1. Qualitative — mission, vision, values, and goals.
2. Quantitative — financial and marketing.

C. Determine the reasons for deviations in the areas of:

1. Strategic assumptions (external and internal).
2. Directional strategies.
5. Competitive strategies (strategic posture and positioning).
6. Implementation strategies (value adding service delivery and support strategies, as well as unit action plans).
D. Take corrective action.

E. Overview. (As a summation of the strategic control process call attention to Exhibit 11-4 that illustrates the scope of strategic control.)

V. Strategic Change. (Exhibit 11-5 and 11-6.)
   Learning Objectives 5 and 9
   
   A. Revolutionary change (frame breaking) – changes in directional, adaptive, market entry, and competitive strategies.
   
   B. Evolutionary change (frame bending) – changes in service delivery, support strategies, and unit action plans.
   
   C. Frequency of change – revolutionary change is relatively infrequent. Organizational change comes about when pressure for change builds to the point – strategic pressure points – where management feels change is more important than the “costs” associated with the change. (Refer to Perspective 11-3 for stages of resistance to change.)
   
   D. Forces for change.
      1. External factors: new competitor, new law.
      2. Internal factors: cash flow problems, outdated facilities.

VI. Determining the Need for Change.
   Learning Objective 6
   
   A. Strategic issue diagnosis. (Refer to Exhibit 11-7.)
      1. Issues recognition – detecting signals of change.
      2. Issues assessment – determining the urgency of taking action and the feasibility of dealing with the issue. (Exhibit 11-8 provides a mechanism for investigating urgency versus feasibility.)
   
   B. Validate the strategic assumptions – the beliefs management holds concerning current and emerging issues. (Exhibit 11-9 provides a series of questions designed to evaluate the strategic assumptions.)
   
   C. Test the directional strategies. A change in directional strategy results in revolutionary change. (Exhibit 11-10 provides questions for validating the directional strategies.)
D. Initiate revolutionary change if necessary – engage in a new adaptive strategy. (Exhibit 11-11 provides questions helpful in surfacing signals suggesting that a change in the adaptive strategy may be necessary.)

E. Test the market entry strategies. A change of this type is considered to be revolutionary change. (Exhibit 11-12 provides questions for evaluation of the market entry strategies.)

F. Test the competitive strategies. Revolutionary change occurs when strategic posture or market positioning strategies are changed. (Exhibit 11-13 provides questions for evaluation of the posture and positioning strategies.)

G. Initiate evolutionary change if necessary – altering the implementation strategies. (Exhibit 11-14 examines the appropriateness of the service delivery strategies, support strategies, and unit objectives and action plans.) (Refer to Perspective 11-4 for some interesting strategic management paradoxes.)

VII. Organizational Mechanisms for Strategic Control.
Learning Objective 7

A. Data management mechanisms.
   1. Information systems.
   2. Strategic management processes.
   3. Performance measurement.
   4. Resource allocation procedures.
   5. Budgeting procedures.

B. Management mechanisms. (Refer to Perspective 11-5.)
   1. Setting of objectives.
   2. Performance appraisal.
   3. Compensation program.
   4. Operating procedures.
   5. Organizational culture.

C. Conflict resolution mechanisms.
1. Task forces.
2. Boards of directors or trustees.
3. Committees.
4. Ad hoc groups.
5. Retreats.

IX. Contingency Planning as an Element of Strategic Control.
Learning Objective 8

A. The uncertain environment for health care, especially government regulation and competition, dictates the need for contingency plans.

B. Contingency planning allows an organization to quickly respond to change.

X. Map and the Compass.

A. Maps provide explicit directions and start the organization on its journey.

B. Managers create plans (maps) for the future but must be willing to abandon the plan as the situation changes, new opportunities become apparent, or they find out what really works. This requires leadership – leaders recognize discontinuities and the need for change.

(Refer to Perspectives 11-6 and 11-7 for summary thoughts on strategic management.)

QUESTIONS FOR CLASS DISCUSSION

1. Define strategic control. Why is it important that managers establish strategic control within their organizations?

Strategic control is a system to support managers in assessing the relevance of the organizational strategy compared to its progress in the accomplishment of organizational goals, and when discrepancies exist, to support areas needing attention. Strategic control provides momentum for change, is inherent in all of the processes of strategic management, provides top management with a means to determine whether the organization is performing satisfactorily, and provides an explicit process for refining or completely altering the strategy. In addition, strategic control monitors, evaluates, and adjusts the strategy implementation, the strategy itself, and the situational analysis process.

It is important to establish strategic control within organizations because it:
1. Provides vision and goals as guides to decision making.

2. Specifies objectives and roles for managers.

3. Coordinates the efforts of everyone in the organization.

4. Provides a check on the consistency of the strategic alternatives.

5. Provides an early detection system that indicates when strategic assumptions are wrong or that environmental conditions have changed.

6. Provides a method for management to intervene in order to correct an ineffective or inefficient strategy.

2. How are strategic planning and strategic control related? Can you distinguish control from planning?

Both strategic control and strategic planning are part of the situational analysis as well as strategy formulation. The strategic management internal processes (situational analysis, strategy formulation, and strategic implementation) generate the objectives and standards of the organization. Although a part of planning, the mission, goals, situational analysis, and so on serve as a control system.

Goals are a part of the planning process as well as the control process. Goals provide not only the standards of performance but also suggest a means for the evaluation of performance. Planning elements initiate control and control initiates further planning. The interaction of planning and controlling makes it hard to distinguish between the two because they are so closely interrelated. In essence they are the same thing – when you plan you also control.

3. What are the fundamental elements of control? Do all organizational control systems have these elements?

The fundamental elements of control include:

1. Set objectives or predetermined standards.


3. Compare the objectives or standards with actual performance.

4. Determine the reason(s) for deviations.

5. Take corrective action, if necessary.

All organizational control systems, whether operational or strategic, have the elements of establishing standards, measuring progress, comparing to objectives, determining problems, and taking corrective action. The control system forms a feedback or self-correcting loop to assure a steady state. This feedback provides information to assure that progress is being made toward achieving objectives.
4. What are the characteristics of effective control?

Effective controls should be:

- Based on accurate, relevant, and timely information.
- Directed at controlling only the critical elements.
- Flexible.
- Cost effective.
- Simple and easy to understand.
- Timely.
- Emphasize the exceptions.

5. Strategic control is concerned most with what three areas?

1. Modifying the organization’s directional strategies when necessary – determining if the basic mission is still valid and the assumptions underlying the mission, vision, values, and goals are still valid.

2. Changing the organization’s adaptive, market entry, and competitive strategies when necessary – determining whether the current strategy is correct and moving the organization toward its goals and vision.

3. Making strategic adjustments when necessary – determining whether the implementation strategies are making the appropriate contribution.

6. What are the steps involved in strategic control of a health care organization?

Strategic control includes a number of steps:

1. Establish performance standards developed through the situational analysis and strategy formulation stages including mission, vision, values, and goals.

2. Measure the organizational performance factors that have been determined to be the clearest indicators that the strategy is performing well or poorly.

3. Compare performance against standards.

4. Determine the reasons for deviations:

- Are strategic assumptions still valid? Are external factors changing? Internal factors?
- Are the directional strategies still appropriate? Is revolutionary change required?
- Is the adaptive strategy still appropriate? Is revolutionary change required?
• Is the entry strategy still appropriate? Is revolutionary change required?
• Is the competitive strategy still appropriate? Is revolutionary change required?
• Is the implementation still appropriate? Is evolutionary change required? Are service delivery, support, or unit actions adjustment needed?

5. Take corrective action (radical change or incremental change).

7. What part do judgment, opinion, beliefs, and values play in strategic control?

Controls make no decisions but assist managers in making decisions within acceptable boundaries. Although supported with a great deal of information, determining whether an organization has deviated or should deviate from its current strategy requires management’s opinion. There are no hard and fast rules to determine whether evolutionary change, revolutionary change, or no change is needed. Management’s best judgment will be required, which is influenced to a degree by individual opinions, beliefs, and values.

8. How is organizational performance measured? Are the measures of performance for health care organizations different from the measures for business organizations?

The measures of performance for mission, vision, and values are largely qualitative. Managers must match the actions of the organization to the templates provided by the statements of mission, vision, and values. The measures of performance for objectives such as financial ratios (ROI, ROE, EPS, and others) and market standing measures such as overall market share, relative market share, and target market share, are quantitative.

The ratios and other measures may be used to assess performance of an organization by comparing results in the present period with results in previous periods and comparing the organization’s performance with similar competitors, and comparing against industry standards. The measures of performance for health care organizations are virtually the same as the ones used to measure performance for business organizations. The difference will be in the industry standards.

For business organizations, Peter Drucker suggested the following mix of quantitative and qualitative measures of performance:

1. Market share standing: Is the share increasing? What is happening to share in particular submarkets and niches?
2. Innovative performance: Are there new products in growth areas?
3. Productivity: How much value has been added per resource input?
4. Liquidity and cash flow: Can the organization generate adequate cash to sustain operations?

5. Profitability: Is there adequate return (revenue over expenses) to the organization, investors, owners, and others?

These same areas can be used, with slight modification, for health care organizations.

9. Do health care organizations change directional and adaptive strategies often? Why are these changes called “revolutionary”?

Health care organizations do not change directional and adaptive strategies often because these strategies are implemented over an extended period of time and represent a major change in the nature of the organization. The changes in the directional and adaptive strategies are called revolutionary or “frame breaking” because they are a reorientation or new direction for the organization. The pattern of decision making is dramatically altered through the selection of a new directional or adaptive strategy (and with market entry and competitive strategies as well).

10. What is “evolutionary” strategic change?

Evolutionary strategic change occurs more frequently and is considered to be a strategic adjustment or frame-bending (as opposed to the frame breaking of revolutionary change). Change takes place but within the confines and guidelines of the established and accepted corporate and divisional strategies. Evolutionary change is a change in implementation strategies that may be viewed as strategic adjustments or refinements in the broader context of corporate and divisional strategies. Evolutionary change does not usually require dramatic internal alternations.

11. What events can create pressure on an organization and lead to a “strategic pressure point”?

Strategic pressure points are a result of mounting issues from the external environment, the internal environment, or organizational performance that lead management to feel that a change is more important than the costs associated with making the change.

The following may independently or interactively create pressure for strategic change:

External issues – technological, regulatory, political, social, economic, or competitive forces that influence change.

Internal Issues – the organization’s own internal strengths and weaknesses.

Organization performance – financial and operational issues. Performance factors may alert management that strategic change is required. Low financial performance pressures management to engage in evolutionary change (service
delivery, support, and unit actions) in the short term and revolutionary change in the long term.

External, internal, and performance issues may operate in concert to create pressure for strategic change. As management becomes aware of these issues (separately or in aggregate) pressure builds until the strategic pressure point is reached that requires management to make a decision and take action.

12. What is strategic issue diagnosis? What are its elements? Is it a part of strategic control?

Strategic issue diagnosis (SID) is a process through which strategic issues – those trends, events, or developments that have the potential to influence the organization’s strategy – are detected, interpreted, and create momentum for strategic change.

Strategic issue diagnosis has two components:

Strategic issue recognition may be a part of the normal activities of the organization or may occur as a part of the formal strategic control process.

Issues assessment involves determining the urgency of taking action on the issue and the feasibility of dealing with the issue.

On the basis of these assessments, momentum for change is created, and the forces for organizational responses are set into place. These responses lead to radical (revolutionary) change or incremental (evolutionary) change.

SID is part of the strategic control process because it encourages managers to engage in methods to recognize, isolate, and understand emerging strategic issues. Issue identification and evaluation is a decision making process that requires the weighing of a mix of quantitative data, qualitative information, opinions, weak signals, and so on. Determining whether the organization has deviated requires management’s best judgment. A series of questions are useful in detecting and evaluating issues, but these questions often call for judgments and opinions regarding the appropriateness of strategic change. SID is a validation of the existing strategic assumptions; mission, vision, values, and goals; the adaptive, market entry, and competitive strategic alternatives; and strategic implementation.

13. How does management’s assessment of issue urgency and the feasibility of the organization to deal with the issue combine to influence strategic change?

Issue urgency is the importance of taking action on an issue or the perceived cost of not taking action. Management’s greater perception of the need for change arises from pressures in the external and internal environments as well as organizational performance.

Issue feasibility is the perception that the means for resolving the issue are available and accessible. Management’s perception of feasibility arises primarily from the assessment of the capabilities and resources of the organization.
Issue urgency and feasibility combine to create a momentum for change in the strategy. Various combinations yield differing results:

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low urgency, low feasibility</td>
<td>No response</td>
</tr>
<tr>
<td>Low urgency, high feasibility</td>
<td>Opportunistic response</td>
</tr>
<tr>
<td>High urgency, low feasibility</td>
<td>Coping, ousting response</td>
</tr>
<tr>
<td>High urgency, high feasibility</td>
<td>Reorienting response</td>
</tr>
</tbody>
</table>

The momentum for change refers to the level of effort and commitment that managers are willing to devote to action designed to resolve an issue. Where effort and commitment are high, strategic managers are willing and motivated to consider radical responses to emergent issues. Where momentum is low, more conservative changes will likely be made.

14. What are an organization’s strategic assumptions? How may the strategic assumptions be evaluated?

The strategic assumptions are the basic beliefs that management holds concerning the external opportunities and threats and internal strengths and weaknesses. These assumptions may be evaluated through an audit that has been designed to provide signals concerning the extent of change for external and internal issues. A series of questions should be designed to surface signals of new perspectives regarding the assumptions. The audit may indicate the emergence of new external or internal factors that will affect the organization and suggest areas where additional information will be required in future planning efforts.

15. Is it possible to determine if the mission, vision, and values of an organization are valid? How can we approach this determination?

It is not possible to know the future. However, it is possible to determine whether the mission, vision, and values of an organization are still appropriate. The statement of mission, the CEO’s vision for the future, the existing values, and the general goals may be evaluated by using a series of questions and asking the board of trustees or executive management team to freely discuss and reach a consensus on each question. (See the text for the complete list of questions.) Questions such as, “Are we not doing anything new that we should be doing?” and “Are we doing some things now we should not be doing?” will likely produce an enlightening discussion. The process invites clarification, understanding, and reinforcement of exactly what the organization is all about.

16. How can revolutionary and evolutionary change be strategically controlled? What organizational mechanisms facilitate controlling the strategy?

Revolutionary and evolutionary change can be strategically controlled by examining the appropriateness of the strategies in light of current strengths, weaknesses, opportunities, and threats. Strategic control is not a matter of keeping the organization on track, but rather deciding if a completely new track or direction is warranted.
Managers must decide if conditions require a change in the organization’s strategy. Signals that the basic strategy needs to be changed will have serious long-term consequences.

Revolutionary change, relatively rare in stable environments but more frequent in dynamic environments, involves the selection of new directional, adaptive, market entry, and competitive strategies. It is determining a completely new track or direction for the organization. To strategically control revolutionary change management has to decide on the relative levels of thrust and momentum for the new strategic decision and redefine rules that govern the strategy. The organizational mechanism that facilitates this is management’s ability to change their mind-set and confront the challenge of creating advantage out of discontinuity.

Evolutionary change involves an examination of the implementation strategies to determine if they are still appropriate. In the sequence of decisions, this occurs after the basic organizational strategies have been deemed appropriate. Changes in implementation strategies are evolutionary alterations or strategic adjustments that focus on the maintenance of a particular strategic direction while coping with environmental turbulence and change. In order to maintain control, management has to keep the strategy on a given course and reexamine the implementation.

Organizational mechanisms that can facilitate control of the strategy include:

Data management mechanisms – information systems, strategic management processes, performance measures, resource allocation procedures, and budgeting procedures. These activities exercise strategic control by providing management with information concerning competitive conditions and organizational performance.

Management mechanisms – the way managers are managed. Through the setting of objectives, performance appraisal, compensation program, and so on, managers’ actions are coordinated toward agreed upon organizational objectives. Such controls become a part of the operating procedures and culture of the organization.

Conflict resolution mechanisms – creates strategic and administrative integration between diverse organizational groups. These control mechanisms are integrated into the policies, procedures, and practice of management.

17. What is contingency planning? How may contingency planning be viewed as strategic control?

Contingency planning is the formulation of alternative plans that are put into effect if the strategic assumptions change quickly or dramatically or if organizational performance is lagging. The more turbulent, discontinuous, and unpredictable the external environment, the more likely unexpected or dramatic shifts will occur, and the greater the need for contingency planning. Contingency plans are usually tied to key events or issues occurring or not occurring.

Contingency planning is a part of strategic control because it is a process to support managers in assessing the relevance of the organization’s strategy compared to
its progress in the accomplishment of its goals. When discrepancies exist, these areas receive attention. It can be viewed as strategic control in that it forces managers to think in terms of possible outcomes of the strategy. In addition, if the organization reaches a strategic pressure point unexpectedly, plans are already in place that provide management with a course of action until further analysis can be undertaken. Contingency plans are indicated when change occurs more rapidly than expected or unexpected events render the current strategy inappropriate.
CHAPTER 12

Inventing The Future Through Strategic Thinking: An Example

SUGGESTIONS FOR EFFECTIVE TEACHING

We have used this chapter in two different ways. First, the chapter is used to illustrate the complete cycle of strategic management from situation analysis to strategic control. It is important that students learn that there are organizations (such as the ADH) actually completing the entire process. Second, we have used the chapter much like a case analysis and asked students to critique the progress of ADH.

It has been our experience that students are very pleased to see that the various maps and processes discussed throughout the term actually do fit together into a comprehensive whole. We emphasize to students that by the time they reach this chapter they have all the tools needed to actually complete a strategic plan or coordinate a strategic management process. However, we always caution everyone to be prepared to innovate and reinvent the maps and the processes. Each organization is unique and the coordinator of strategic planning should always remain flexible in applying the process and using the maps.

LECTURE NOTES

Introductory Incident: The Arkansas Department of Health (ADH). Similar to other health care organizations, ADH recognized the magnitude of the changes taking place in the environment. The Department had a history of success with programmatic planning and recognized the importance of constantly thinking about changes in the external environment. However, the Department had little experience with strategic planning when it launched the ASPIRE (Arkansas Strategic Planning Initiative for Results and Excellence) in 1996.

Originally, ASPIRE was conceived as a year long process that would involved a number of employees in the central office in Little Rock and throughout the State. Widespread acceptance of the plan would require the involvement of a number of people and participation was a high priority. Individuals from all disciplines and in all areas were given the opportunity to participate in the strategic planning process. Ultimately, ASPIRE involved more than 100 employees and the process continued for more than three years. Throughout this time the ADH experienced a number of anticipated and unanticipated changes – a new director (health officer), a new governor, budgetary crises, and so on. Despite the changes, the Department has remained committed to strategic thinking. This Introductory Incident is designed to “set the stage” for the discussion of the comprehensive strategic planning process discussed in the chapter.

Note to 3rd Edition Users. In the first three editions of this book we used the experience of the Indiana State Department of Health to illustrate a comprehensive strategic management process. In this edition we decided to change the example and use the Arkansas Department of Health. This example is particularly useful because it provides a more longitudinal look at the possibilities of strategic thinking. The
experience of the ADH illustrates all the normal aspects of strategic planning – situational analysis, strategy formulation, and strategic control. However, this example provides a detailed discussion of implementation. We think this chapter should be particularly interesting to those who justifiably ask, “so what happened as the result of all this strategic planning and thinking?” The ADH put the ideas to work.

I. One of the important goals of this chapter is to underscore the importance of the map and compass metaphor. Throughout the chapter attempts had been made to utilize the process of strategic management introduced in Chapter 1 and the maps that were provided as guides to strategic thinking. In addition, the chapter illustrates how the ADH freely adapted and reinvented the maps (employed the compass) when the maps did not work in a particular situation. Learning Objectives 1, 2, 3, and 4

A. The chapter presents a comprehensive example of strategic thinking in a public health organization and is, therefore, relatively complex. It is important that students be prepared for the degree of complexity by reading the chapter before attempting the case discussion. We recommend that careful attention be given to helping students understand how a relatively structured process, when approached with flexibility, can be extremely useful in developing innovative ideas that may positively affect the organization’s future. Learning Objective 2

B. As an illustrative example, the ADH case can be used to expose students to the strategic management process as it was actually employed in a health care organization. The chapter provides many of the actual results produced in the process of completing and implementing a strategic plan.

C. The chapter effectively can be used as a summary of the strategic management process as well as a review of the processes and decision-making methodologies. We have, at times, used the chapter material to illustrate how important it is to use existing maps as a means of getting the process moving. We are careful to point out where situations are encountered that make existing maps less useful. When this happens it is important to employ the compass and improve or reinvent the maps.

II. Developing A Strategic Plan – An Evolving Process Learning Objective 5

A. In a number of instances the methods presented in the chapters throughout the text were modified by the ADH to meet its particular needs. It is important to emphasize to students that all organizations are unique and the methods and approaches that may be successfully used in one health care organization may have to be modified significantly if they are used in another. It is a mistake to blindly apply the maps that have been successful in one organization to another.
B. Strategic leaders should always make the map or method work for them, not to work for the method. When working through a strategic management process, if a particular map or method is not contributing to greater understanding, it should be modified or discarded.

III. Strategic Thinking – A Difficult Task

Learning Objective 7

A. Today, there is an appropriate emphasis on outcomes or results. However, in the specific case of strategic management, we often say that the process (of strategic thinking) is more important than the product (plan).

B. Strategic thinking is a challenging and exhausting task for strategic leaders. It requires experienced health care executives to think outside the box and reserve judgment of ideas. In the case of ADH, leaders had to challenge many of their cherished assumptions. The emphasis on government efficiency favored increased centralization in Little Rock. Community needs, however, required a willingness to delegate decision making. Professionalism encouraged myopic thinking yet problems were increasingly interdisciplinary and required cross-functioning.

C. The ongoing strategic management process made it increasingly clear that the leader’s job is to think. After studying previous chapters, students should be encouraged to think and apply the information they have received in understanding the strategic management journey of the ADH.

IV. Adopting A Strategic Management Philosophy

A. The ADH was fortunate to have a number of individuals from all levels of the organization and from all disciplines that were willing to open their minds to new ways of doing things. In addition, the Department was fortunate to have members of the leadership team who genuinely understood and appreciated the need for strategic thinking. It was frequently heard throughout the organization that when we started thinking strategically, we started managing the organization in fundamentally different ways. Truly, people at all levels were thinking about how they could better “fit” their operations to the demands of the environment.

B. One of the most interesting points that can be discussed with the ADH chapter is the transition that was made from one Director to another. The Director who championed the ASPIRE process resigned and accepted a position in the private health care sector. It would have been very easy for the new Director to look upon ASPIRE as representing the past and demand a new approach to managing the Department. Instead, the new Director objectively evaluated the accomplishments and unfinished tasks of ASPIRE and decided to launch ASPIRE². The significance of this move had tremendous impact on the organization. The message was clear – we will continue to manage strategically. We will continue to seek
improvements in our operations. Excellence is an ongoing journey and we will stay the course.

V. Making Strategy Happen
A. In many ways the most impressive accomplishment of ADH is its ability to maintain its commitment to strategic management and its innovative approach to implementation.

B. In addition to completing the customary aspects of strategic management (situation analysis, strategy formulation, strategic control) the ADH developed systematic approaches to implementing the strategies it developed. Business planning became an integral part of the process, organizational redesign was accomplished to address the need to decentralize decision making, commitments were made to information technology, Hometown Health Improvement was implemented in order to emphasize the importance of the community, and a major commitment was made to workforce development. Few organizations have remained as committed to strategic management for as long a period of time as ADH. This is a genuine tribute to leadership.

VI. Remaining Challenges
A. Strategic management is hard work. Effective strategic management requires ongoing commitment to the process. There is always a temptation to abandon planning in the interest of more pressing matters. ADH constantly struggles with the balance it must reach between meeting the demands of day-to-day operations and thinking strategically about the future.

B. Demands of accountability make it tempting to focus on those things that will provide tangible evidence of accomplishments in the public sector. Commitment of substantial resources to strategic management is increasingly difficult to justify. To date, the Director and the Agency Leadership Team have been effective in communicating the importance of ongoing strategic management.

QUESTIONS FOR CLASS DISCUSSION

Note: There are no specific answers to the questions in this chapter. The questions are primarily designed to stimulate discussion. However, after each question a few general suggestions are made as to how the discussion might be directed.

1. In your opinion what are the primary determinants of success of the strategic management process at the Arkansas Department of Health? Explain your response.

   There are numerous things that can and should be emphasized in this discussion. Clearly, implementation was quite an accomplishment of the ADH. Few organizations, particularly public health organizations, have the commitment to
manage strategically and remain committed to it over the period of two governors, two directors, budget crises, and so on. Another important point to discuss is the willingness of numerous employees to “give strategic management a try.” Obviously, the Agency Leadership Team played, and continues to play, an important role in the strategic management process. However, the commitment of colleagues throughout the Department has been essential to success.

2. What do you think are the primary benefits a public health organization such as the ADH gains from an investment in strategic management?

There are numerous benefits that any organization gains from strategic management – a sense of direction, focus, and achievement are only a few. In the case of ADH, one of the most important benefits was an opportunity to be entrepreneurial and to creatively invent its own future. Too often public health organizations simply do not try to do things differently. ADH was courageous enough to initiate and continue the journey.

3. How important do you think leadership is in ensuring the success of strategic management? How can this be illustrated in the case of ADH?

The importance of leadership cannot be overestimated. A new philosophy of management simply will not happen without committed leadership. The determination of the Agency Leadership Team to reaffirm the importance of ASPIRE was only one of many tangible examples of the important role of leadership. The transition to ASPIRE² was an incredible accomplishment. It would have been very easy for the new Director to simply let the strategic management philosophy die a natural death while he became overwhelmed with the requirements of the new role. Instead, leadership made a commitment to keeping the philosophy alive.

4. Why do you think public and private health care organizations are reluctant to make the commitment necessary for successful strategic management?

There are many reasons that can be discussed in response to this question. The demands of the here and now are sometimes so overwhelming in health care that strategic management simply gets put on the “back burner” – forever. Some managers sincerely believe that changes are taking place so fast in health care that strategic management is simply impossible or impractical. Public health organizations often fear that the time and energy required to manage strategically (team meetings, retreats, and so on) will be interpreted as a waste of the taxpayers’ money.

5. In your opinion, what are the major challenges remaining for ADH as it continues its journey in strategic management? Explain.

Some of the more important challenges include the possibility of new government leadership, more pressing public health problems, and the loss of enthusiasm by the Department’s leadership.