

Balancing Long-Term Strategy and Short-Term Challenges

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Things are moving so quickly that it seems hard to plan further than six months out. We all are fatigued after three years of pandemic turmoil and financial struggles, compounded in 2022 by market-driven investment losses. It is certainly easy to fill up board and committee agendas scrambling to address today's challenges. But trying to achieve your long-term vision and goals only in six-month increments is unlikely to succeed. Instead, ask yourself two different questions:

- Why didn't we anticipate some of these challenges and incorporate contingency planning into our strategic planning process?
- How do we keep a long-term plan but make this into a living document?

Prepare for an Uncertain Future: Scenario Planning and Wild Cards

While virtually no one anticipated a pandemic of the scale or duration of COVID-19, many of today's other challenges—from nursing, physician, and other staff shortages; declining demand for hospital services; aggressive for-profit (often venture capital-funded) competitors/disruptors; growth of Medicare Advantage plans; and unrelenting payment pressures—have been long-anticipated, knowable trends. These pressures were accelerated or exacerbated by the pandemic, but not caused by it.

Because assumptions about the future are the foundation for all solid strategic planning, the assumptions underlying a five-year plan should be delineated at the outset of the planning process. "Clear trends" are market forces such as those outlined above that are already visible and likely to continue, accelerate, or change predictably. Board and executive leaders should articulate these trends and identify the implications of each for your organization and ensure that your strategic plan includes strategies to address or capitalize on these trends.

For example, today's struggles filling nursing vacancies might have been mitigated if organizations had acted much earlier on the decades-anticipated nursing crisis. One organization that saw the handwriting on the wall in 2010 focused intensely on and invested heavily in staff engagement. During the acute

phase of the pandemic, it was the only hospital in its metropolitan area that had a "no layoff" policy, used no travel nurses, and kept all its beds and operating rooms open. It recovered quickly post-shutdown, and its market share in specialty services is greater today than it was pre-COVID. Its deliberate, long-term focus positioned this organization for success today. Certainly, this organization also has met with recent challenges, but it has remained in step with its long-term objectives.

"Wild cards," on the other hand, are unpredictable market conditions that could dramatically impact your organization and its long-term success (e.g., Amazon acquires the last major private multispecialty group that primarily uses your hospitals). A helpful approach to identifying wild cards is to ask, "If you could ask a clairvoyant to tell you about one aspect of healthcare five years from now, what would that one thing be?" Courageously identify scenarios that might challenge your current direction; examine which of today's strategies still would be valid, and consider contingency plans for what you would need to start or stop doing, or do dramatically different.

Finally, keep your eyes on the horizon. Remember that while market changes often seem to appear suddenly, most have been foreshadowed. Identify a short list of major "trigger points," or early indicators, the board might use proactively to identify when it needs to reassess its strategic direction. These can reduce the tendency to overreact to every market event or change.

Keep Your Five-Year Horizon but Make Your Plan a Living Document

While keeping an eye on your long-term strategy and reassessing it at least annually, more fully integrate it into your regular board and committee work. To do this:

- **Incorporate meaningful and measurable strategic metrics into the strategic plan**, including both those for at least five years out (destination metrics) as well as annual strategic milestones to assess your progress to date. Developing such metrics is often

Key Board Takeaways

- Create a five-year strategic plan that becomes a "living document," despite market challenges and uncertainties.
- Embed strategic metrics into the plan and evaluate progress against strategic milestones.
- Clearly articulate your assumptions about the future and keep your eyes on the horizon to proactively identify market changes and implications.
- Incorporate scenario and contingency planning into your strategic plan.
- Intentionally embed strategic plan monitoring and implementation into your board and committee annual work plans, meeting agendas, and committee charters.

the most difficult task in creating a plan, but doing so both ensures that the board and management agree on "what would constitute success" and helps the board carry out its fiduciary responsibility to ensure the long-term viability of the mission.

- **Use the strategic plan as a foundation to update committee charters.** Boards use committees to help fulfill their fiduciary responsibilities. Ensure that your committees are balancing looking forward with providing oversight ("looking in the rear-view mirror"). Especially in quality and finance committees, oversight often crowds out forward-looking discussions and policy setting. Your compliance committee needs not only to ensure adherence to compliance policies but to identify and mitigate enterprise risks, including those related to your strategic direction. Re-evaluate your charters, as needed, to ensure that each committee's work is facilitating strategic plan implementation.
- **Create annual work plans for your board and its committees, balancing your fiduciary oversight and strategic responsibilities.** Build time at the outset of each board meeting agenda to highlight and discuss one strategic goal (e.g., growth, our people, or quality). Ensure that the board understands the steps management is taking currently to fulfill the goal, its progress to date, and any current obstacles. Challenge the board to consider the risks associated with implementing the goal and strategies—as well as

those related to deferring implementation due to the current market or financial challenges. Also use annual committee work plans to ensure that each committee fulfills both its oversight and future-oriented, policy-setting roles. Additionally, incorporate into board and committee meeting materials relevant articles on current trends that may affect the health system or hospital and highlight the key implications at the meeting. Ensure that the board portal allows directors to easily identify articles and background information on emerging healthcare trends.

- **Intentionally link board meeting content to the strategic plan.** Tee up the review and discussion of each agenda topic by

how it relates to the strategic plan and your five-year objectives. For example, when reviewing quality performance, remind the board of your long-term strategic quality metrics and how you want to be positioned in five years. Or when proposing a new initiative or project, directly tie it to the relevant plan goal or strategy.

- **Use a process check at the end of each board meeting** to solicit input on how the work of the board at that meeting has helped the organization achieve its long-range plan.

While the challenges of recent years have been unrivaled in most of our lifetimes, they are no excuse for strategic myopia.

Myopic thinking crowds out the transformational thinking organizations sorely need to keep pace with the longer-term challenges facing our industry. Boards that can balance both today's organizational challenges and the longer-term challenges of an industry in flux will outperform and enhance the long-term viability of their mission more than will their short-sighted competitors.

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