

ADVANCING MISSION IN THE MARKETPLACE

As Catholic healthcare providers, we endeavor to meet community needs and to steward our resources wisely; this is central to the fulfillment of our mission. Increasingly we are called—by our sponsors, government, and communities—to account for our activities and our expenditures of human, material, and capital resources. Amid volatile market dynamics, severe budget constraints, and the accelerating technological explosion, how can we ensure that we stay faithful to our vision, that we meet community needs, and that we remain good stewards of the resources entrusted to us?

One vehicle helping Holy Cross Health System (HCHS), South Bend, IN, meet these challenges is a revised approach to strategic planning that more effectively integrates the system's mission and its day-to-day activities. Sr. Patricia Vandenberg, CSC, HCHS president and chief executive officer, explains that the method involves a multidisciplinary approach to strategic planning. "This has enhanced the quality of the strategic planning product from a technical standpoint," Sr. Vandenberg says. "Equally important, it has strengthened our corporate culture by reinforcing and giving expression to our notion of partnership and interdependence."

THE DYNAMICS OF CHANGE

A 1988 revision of the HCHS mission statement was the basis for refinement of the system's inte-

*Integrated
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And
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Remain
Accountable*

BY AMY HOLLIS
SMESSAERT

gration of mission into operations (see article on pp. 32-35 and **Box** on p. 33). Senior managers' reflection revealed four major elements:

- *Fidelity* to the spirit of the congregation
- *Excellence* in the delivery of health services
- *Empowerment* of those who serve in HCHS
- *Stewardship* of the system's human and financial resources

That reflection, coupled with two developments in the summer of 1989, laid the groundwork for a revolution in the corporation's strategic planning methodology. First, the Sisters of

Summary In the late 1980s Holy Cross Health System (HCHS), South Bend, IN, began to implement a revised strategic planning and budgeting process to effectively link the system's mission with its day-to-day operations. Leaders wanted a process that would help system employees internalize and act on the four major elements articulated in the HCHS mission statement: fidelity, excellence, empowerment, and stewardship.

Representatives from mission, strategic planning, and finance from the corporate office and subsidiaries examined planning and budgeting methods. From the beginning, HCHS leaders decided that the process should be implemented gradually, with each step focusing on refining methodology and improving mission integration.

As the process evolved, HCHS developed a sequence in which planning preceded budgeting. The system also developed a variety of educational and collaborative initiatives to help system employees adapt to the organization's change of direction. One critical aspect of HCHS's ongoing education is an ethical reflection process that helps participants balance ethical considerations by viewing an issue from three perspectives: social vision, multiple responsibility, and self-interest.

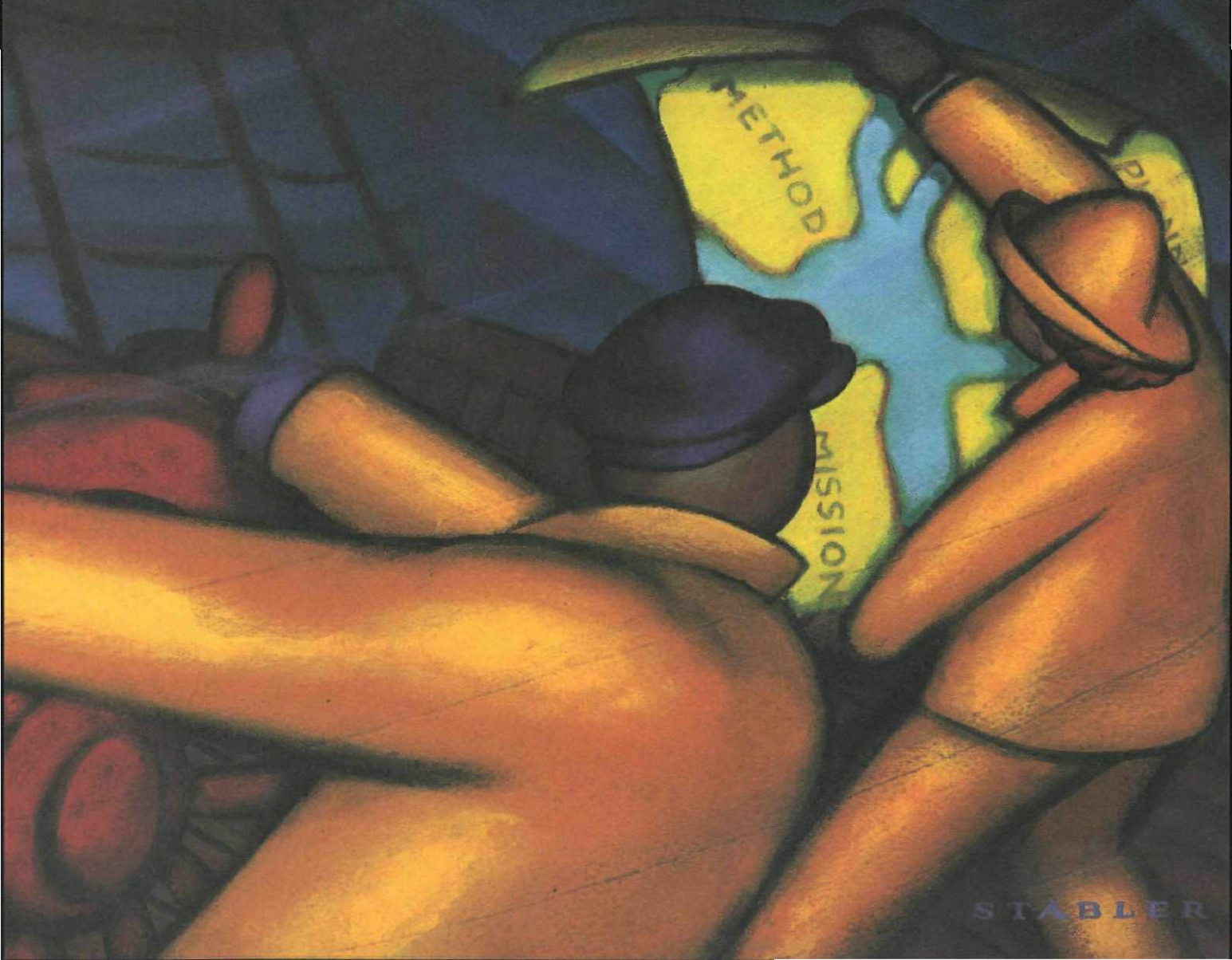


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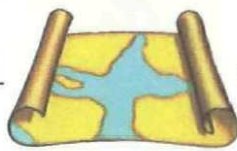
STRATEGIC PLANNING



CHARTING A WINNING COURSE



STABLER



the Holy Cross, sponsor of the system, articulated its vision in a pastoral letter that called HCHS to reflect on the principles of the report of the Commission on Catholic Health Care Ministry and to integrate them into its organizational life (*Catholic Health Ministry: A New Vision for a New Century*, Farmington Hills, MI, 1988).

In addition, Sr. Vandenberg called for a new approach to planning and budgeting to integrate more explicitly strategic and financial planning activities. "The four elements of our mission statement needed to be woven throughout the planning and budgeting process, and the model we had been using, which was driven by functional areas, could not accommodate this integration," Sr. Vandenberg says.

DEVELOPING THE PROCESS

With the decision to develop the new process and framework in place, HCHS leaders took the critical initial steps. First, Thomas C. Scardaville, HCHS senior vice president of corporate development, interviewed subsidiary chief executive officers and planning staff to elicit their support and participation. "We

wanted to assess expectations up front and explain the iterative nature of our new direction in strategic planning—that it would be a learning process from the word go," he says.

Next, HCHS convened a multidisciplinary task force—with representatives from mission, strategic planning, and finance from the corporate office and subsidiaries—to examine the corporation's planning and budgeting methodology. The work group, led by Scardaville, held three meetings to review a variety of documents, including the congregation's pastoral letter and the commission report. The task force also studied trends in health service delivery and a number of strategic planning methodologies. As a result of the task force deliberations, HCHS established a new planning and budgeting methodology.

KEY ELEMENTS

"Our strategic planning process looks at our mission statement and our value system," Scardaville says. "We have a vision of who we want to be. That vision has to be grounded in the community and focused on its needs. It must also be based

on an honest assessment of our strengths and weaknesses."

In developing the process, HCHS leaders integrated the four key elements of the mission statement.

Fidelity "A mission-based and market-driven approach to strategic planning is the only way we can be accountable to our sponsors," explains

Mary Kathryn Grant, PhD, HCHS senior vice president of mission services. "Holy Cross's emphasis on being community based is part of our vision: It forces us to consider the fundamental needs of those we serve and design programs and services accordingly. We daily hold ourselves accountable to our mission statement, the pastoral letter, and the vision of the congregation as a ministry of service."

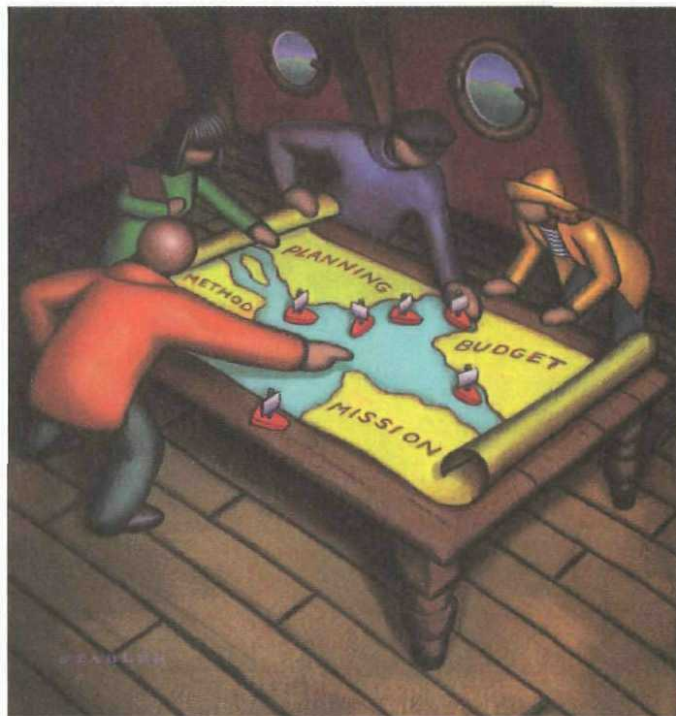
Excellence Grant adds that staying attuned to community needs is fundamental to achieving excellence. Providing excellent health delivery entails identifying customers, determining their needs, implementing a plan to meet those needs, and evaluating the plan's effectiveness.

Empowerment HCHS's commitment to empowerment has created an environment that encourages physicians, planners, and employees to respond creatively to various needs. By overhauling the system into product and service lines, HCHS has enabled employees to contribute directly to quality improvement efforts, such as employee participation on quality action teams.

Stewardship Stewardship is rooted in meeting community needs through prudent management of human and financial resources. "Stewardship," says Stephen A. Felsted, HCHS senior vice president of finance and chief financial officer, "is a relationship of trust in which you are given assets to manage that belong to someone else and you are accountable for doing the best job of managing those resources that you can."

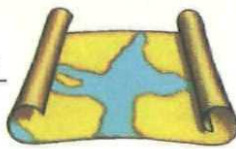
THE IMPORTANCE OF ITERATION

HCHS leaders decided from the beginning to implement the process gradually. "To introduce a new strategic planning process in one fell swoop throughout the organization would have been too much change, too soon," Scardaville says.



Barton Stabler

HCHS
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"We agreed to iterate and expand slowly so that it would be a meaningful learning experience."

Each iteration focused on refining the methodology and improving mission integration, strategy, and financial planning (see **Box**).

As the methodology evolved, HCHS developed a sequence in which planning would precede budgeting. Historically, the budgeting was done first and then plans were developed to support what was needed. With the planning phase first, the budgeting process benefits from a far more sophisticated and sensitive plan.

The development of the system's stewardship strategy also helped integrate budgeting into the planning process. The strategy consists of two components, explains Felsted. "One—financial capability assessment—involves assessing what our balance sheet capability is and what we need to do to have a sound financial strategy overall. The second—strategy-specific financial projections—

The
stewardship
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entails analyzing specific investment alternatives and comparing them throughout the system."

Annual financial capability assessments focus on debt capacity, capital requirements, and cash liquidity position for each subsidiary and for the healthcare system. "We look at the social good of our business planning efforts, as well as the financial risks and returns," Felsted explains. "When we share this information with senior managers in the context of our strategic plans, we have the ability to effectively allocate capital throughout the system, to evaluate capital investment decisions consistently, and to understand the philosophical underpinnings in the mission statement that call us to be good stewards."

The underpinning of the stewardship strategy is that no single subsidiary owns the assets it manages. Entities steward those assets for the health system, and it may be necessary for a subsidiary to do some things on behalf of other members of the system.

According to Felsted, the true benefit of stewardship strategy is that it requires planners to focus on strategy-specific financial projections and explain to senior managers why it may be important for HCHS to invest in a specific strategy in a specific market in a specific year.

"It is a difficult message for some subsidiary board members who feel their community might be best served if the individual institution stood alone," Felsted says. "Our communities are actually much better served if we band together. For example, no individual HCHS facility could achieve a AA credit rating on its own. We can achieve this rating only through a master trust indenture and the fact that we have a broad portfolio that we can take to the credit markets."

EDUCATION AND COLLABORATION

In converting to HCHS's new strategic planning and budgeting methodology, those who serve in the system have had to adapt to new ways of doing things. To help people make these changes, the system has conducted management retreats, provided education in ethical reflection, and organized meetings with subsidiary department heads.

"This is a huge conversion that takes a team effort—lots of meetings and ongoing education," Scardaville says. "It is a cultural change, and everything has to reinforce that." For these reasons, HCHS rolled out each phase of the methodology with a variety of supporting educational approaches.

Systemwide Retreats One strategy the system used to introduce the planning iterations was a series of three systemwide leadership retreats, intensive three-day educational sessions for HCHS managers from the subsidiaries and the corporate

PHASED-IN STRATEGIC PLANNING: MAJOR FOCUSES

YEAR ONE

- Data gathering
- Market analysis of strengths, weaknesses, opportunities, and threats
- Identification of critical issues

YEAR TWO

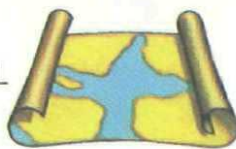
- Strategy identification
- Greater teamwork and mission focus in strategic plan development
- Ethical reflection process to analyze new services or strategies under consideration

YEAR THREE

- Expansion of community-based planning efforts with social accountability strategies at pilot sites
- Emphasis on reporting collaborative efforts
- Focus on key service lines
- Further integration of ethical reflection process into social accountability and capital allocation
- Enhanced planning and review of capital projects
- Accountability strengthened through operational plans

YEAR FOUR

- Heightened emphasis on excellence in health services delivery based on community needs
- Ethical reflection integrated into overall planning process
- Greater emphasis on outpatient services
- Contingency planning
- Increased emphasis on implementation and accountability
- More explicit articulation of a vision for the future



office. Both internal staff and nationally known experts made contributions at the retreats. The first retreat featured integrated strategic and financial planning; the second focused on the spirituality of excellence and social accountability; and the third covered integrated delivery systems. Case studies, discussions by multidisciplinary work groups, and resource materials reinforced the concepts.

The retreats were structured as a model of the "inclusiveness necessary to do good strategic planning," Scardaville says. "We invited a broad group of managers from each facility, and these groups worked as a team to talk about planning for the future."

Social Accountability Social accountability is a major component of HCHS's education efforts. "Our prior approach was primarily internally focused and asked us to evaluate what we did from the time the individuals got to our doors," Grant says. "Now, we are asking ourselves, What community needs does this meet?"

The other aspect of social accountability, justification of tax-exempt status, also found its place in HCHS's methodology. "We want to strengthen our AA credit rating," Felsted explains, "so we can continue to have access to capital to invest in our system. To continue our mission in the future, we have to be a low-cost, efficient, and profitable organization with a strong balance sheet." Last year HCHS provided audited financial information that quantifies the direct costs of its community services.

Shared Financial Information Education and collaboration are also critical from a financial perspective. "We want to share as much financial information as we can, so department directors in particular can understand stewardship strategy and its importance," Felsted says. "When they see that their ability to care for patients depends on access to capital—which is linked to our capacity, current balance sheet reserves, and operating performance—they begin to understand and participate with management in decisions that are made."

Ethical Reflection Another important aspect of HCHS's ongoing education to support mission-driven strategic planning and budgeting is an ethical reflection process. Currently, training in ethical reflection is targeted to vice presidents of both mission and planning at the subsidiary level. It teaches participants to balance ethical considerations by viewing an issue from three perspectives: social vision, multiple responsibility, and self-interest. The process is being refined, with increased input from mission and planning staff systemwide, to better support strategic planning.

Grant explains its key components: "The first part looks at our social vision. Who and what do

we want to be in our local communities? Then, we look at what constituents are affected by a particular decision and what role self-interest will play in it. Does a project meet community needs? Can we attain excellence? Are employees empowered through the process? Finally, we ask, Do we have the resources as good stewards to promote this initiative?"

The ethical reflection process, adds Scardaville, prompts managers to ask whether a strategic decision or project is really consistent with the system's mission and values. The goal of the ongoing training is to make ethical reflection a natural and inevitable part of decision making.

"Any strategic decision ought to evolve out of this process," Scardaville says. "We shouldn't come up with the strategy and then consider its ethical implications."

PREPARING FOR CHANGE

Although HCHS's strategic planning process is now well established, efforts to improve and adjust it will continue. One area HCHS will be examining more closely is contingency planning. If projections are off at the end of the first quarter, for example, adjustments need to be made—to speed things up, slow things down, or reevaluate capability. HCHS also realized that being a community-based organization requires flexibility in responding to dynamic markets, which is part of being mission driven as well.

Grant says that HCHS would also like to enhance its ability to share learning among facilities. "When several facilities are developing an approach to cancer services, for example, we can look collectively at what's good, what's worked, what's coming, what's passé and learn from one another," she notes.

Scardaville adds that the introduction of any new procedure may be met with resistance until old habits are discarded and new ones formed. "What we're striving for," Scardaville says, "is translating the strategic planning process so that all employees of each subsidiary can grasp what needs to be done, buy into the process, and understand their role in achieving the plan."

"Ultimately, mission-driven, integrated strategic planning and budgeting is a vehicle for accountability," says Sr. Vandenberg. "We have begun to integrate this accountability, which is based on our mission statement, throughout HCHS so that it includes our mission assessment and development process, our operational plans, and our annual reporting process. Although we have multiple constituencies with which to contend, our accountability is driven by fidelity to our mission and, therefore, to the spirit of our sponsors, the Sisters of the Holy Cross." □

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