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## To transform your organization, start by transforming your strategy execution

The healthcare market is changing so rapidly that organizations must respond with increasingly impactful strategies to stay relevant. A Strategic Realization Office can help organizations take the right approach to executing their strategic plans.

A sound strategy without execution produces no value and results in significant opportunity cost. To ensure strong and measurable progress on strategic imperatives and goals, organizations should consider establishing a Strategic Realization Office (SRO).

Depending on the research cited, 60% to 90% of businesses fail to execute their strategies. Failure to execute a strategy or to do so in the required time frame can mean missing an opportunity to attain a formidable market position, forfeiting a competitive advantage or worse. Additionally, the inability to execute discourages employees, discredits leadership and may put the business at risk.

### AT A GLANCE

- A Strategic Realization Office (SRO) can bolster strategy execution, including prioritization of strategic initiatives to ensure the organization does not get overburdened with initiatives.
- SRO staffers should have proven program and project leadership abilities and be highly effective in the art and science of change management.
- In addition to facilitating the strategic-planning process, SROs can establish project management processes and protocols and ensure compliance.

### Effective strategy execution starts at the top

The process of successfully executing a strategy begins with the organization's leaders. They are responsible for developing and clearly articulating a vision as the starting point for strategy development. The leadership team then identifies strategic imperatives, which are deemed essential to realizing the strategic vision based on market conditions, threats and opportunities, and other influences. The imperatives are supported by strategic goals. For instance, a strategic imperative might be to improve patient care, supported by goals such as moving into the top decile of a care-quality benchmark or becoming a provider of choice.

Once executives determine the vision, strategic imperatives and strategic goals, they must formally communicate that information — along with

rationale to establish context, relevance and urgency — to the next level of management. These individuals, typically department heads, then work with their teams to create strategic initiatives that directly contribute to accomplishing the imperatives and goals.

For the overall strategy to evolve or transform an organization, it must be composed of well-defined initiatives that will have significant impact and justify dedicated resources. The objective should be to do what matters most, because no organization can do it all.

### The role of the SRO: Executing the vision

Leading the effort is the SRO. It should be guided by a senior leader who reports directly to the executive team. In a best-in-class scenario, this person facilitates the strategic-planning process and holds the executive team accountable for process compliance.

Executive noncompliance is a major reason for organizations' inability to execute strategies

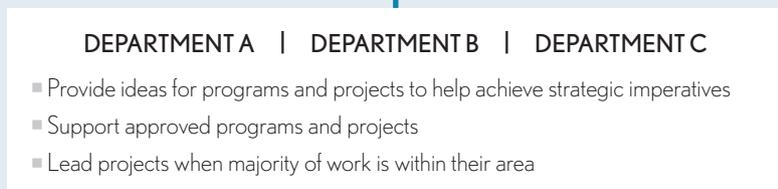
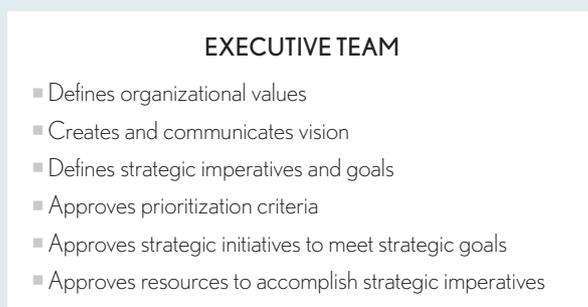
reliably. If executives impose new initiatives without properly vetting and rebalancing priorities and resource requirements, for example, resources will be diluted and performance will suffer.

The SRO has a critical responsibility to ensure that initiatives from the executive team and from departments are sound and supported by strong business cases, encompassing potential risks and benefits.

The SRO also filters organizational input on initiatives to ensure their alignment with the strategic imperatives and contribution to strategic goals, recommending a strategic portfolio of initiatives to the executive team.

Appropriately staffing an SRO is critical. SRO staffers should have proven program and project leadership abilities. They should be influential, politically savvy, disciplined, process-oriented and highly effective in the art and science of change management.

## STRATEGIC REALIZATION MODEL DEPLOYMENT



### **The need for prioritization and process discipline**

Once the executive team has approved the initiatives most critical to the organization, the SRO is responsible for planning and execution. Although responsibility for supporting strategic initiatives with the appropriate quantity and types of resources rests with the executive team, the

### **The nature and timing of transformational strategies**

Not all strategic portfolios are transformational or even evolutionary. For organizations that are struggling, the portfolio should be stocked with reactive and defensive initiatives such as near-term cost cutting and incremental performance improvements. However, a defensive profile over a long period indicates an inability to solve major issues or to read and anticipate market conditions. It does not bode well for growth, longevity and employee morale.

It's also worth noting that the speed of change today compels organizations to revisit their strategies more frequently. In the past, companies established five-year strategic plans that periodically were revisited to assess progress and make minor adjustments. That timetable would not suffice today. Most organizations develop two- or three-year strategic plans, which may be augmented with longer-range plans.

### **Staffing up a strategy**

Determining the number and types of required resources is essential to executing strategic initiatives reliably and efficiently. While it is reasonable and necessary to use employees who already have full-time jobs to influence or directly contribute to strategic initiatives, understanding the commitment required is critical.

An employee with full-time responsibility (40 to 50 hours) generally can contribute an additional 15% to 20% beyond their routine hours, or about six to 10 hours per week. This output can be sustained for several months without creating organizational fatigue. However, this capacity will be more constrained for anyone already working more than 50 hours per week to fulfill their regular responsibilities.

Employees who are key to planning and to leading execution, or who must contribute subject-matter expertise on an ongoing basis, may need to be relieved of their regular duties, meaning some responsibilities may have to be reassigned.

SRO works with initiative sponsors and other key support personnel to determine resource requirements. Consistency and accuracy of resource estimates over time will generate executive confidence and reduce opposition to initiatives.

Every organization has a finite high-performance capacity. When this capacity is exceeded, performance suffers. Therefore, it is important to limit the strategic portfolio to those initiatives that best serve the strategic imperatives and goals.

### **The use of a tiering process to help prioritize projects**

Organizations should use a tiering process to assess and prioritize projects and programs. Tier 1 initiatives have the greatest impact on strategic imperatives and goals. Tier 2 initiatives have strategic value and can be addressed after Tier 1 initiatives are completed. Tier 3 consists of significant continuous-improvement and sustainability initiatives; these should be considered operational objectives managed by the leaders and staff of functional departments.

A Tier 1 initiative, for example, might be an enterprise-wide cost-cutting project managed by the SRO. If pharmacy launches its own continuous improvement project that includes ongoing efforts to reduce costs, that would be a Tier 3.

Be careful not to crowd the strategic portfolio with incremental continuous-improvement projects. Although those are important, they don't create order-of-magnitude step changes, nor do they transform the business model.

If an organization lacks the resources to launch an SRO, it still can apply some of the process components. For example, potential strategic initiatives can be ranked by determining their level of contribution to the strategic imperatives and goals. By applying a weighted average-value assessment, a priority and associated tiering can be established. Also, performing an accurate estimate of resource requirements to plan and execute initiatives can prevent resource dilution.

## Case study: Jump-starting transformation at a regional hospital system

A regional hospital system set an aggressive goal to transform its business model within three years to meet changing demographics and related payer mixes.

Service line flexibility, improved access, lower costs and increased patient satisfaction were essential to stave off competition and drive new- and existing-patient loyalty. Incorporating multiple departments and functional teams, plans included more than 30 large-scale initiatives – all deemed critical. The list was beyond the team's capacity to execute, and whether the initiatives would help achieve the strategic goals was unclear.

The organization started by evaluating the initiatives' contributions to its strategic imperatives and goals. It prioritized the initiatives to identify and gain buy-in on 16 Tier 1 projects. The remaining initiatives, though important, were not allowed to interfere with or delay the Tier 1 activities. In some cases, they were tabled until interference with a Tier 1 initiative no longer was a risk.

At the same time, a Strategic Realization Office (SRO) was established to drive the Tier 1 initiatives. The SRO model helped the organization be more disciplined about providing focus and

resources to the initiatives with the greatest impact on realizing its strategic goals. Through effective planning, the SRO also highlighted the need to dedicate specific functional resources to Tier 1 initiatives, while ongoing portfolio monitoring helped ensure those initiatives remained prioritized and sufficiently resourced.

It's too soon to know whether the organization will be transformed, but it has made significant progress in evolving its model through its ability to deliver on the most impactful projects.

But even with effective prioritization and resourcing, the challenge of execution remains. It requires planning, process-application discipline and, most important, leadership. With or without an SRO, there is no substitute for assigning strong leaders to drive execution.

### The SRO as a transformational strategy unto itself

The adoption of an SRO is a change in the business model in that it modifies the organizational structure, establishes new processes and creates a strategically impactful capability.

Done well, it incorporates governance components, including:

- Facilitating the strategic-planning process
- Establishing project management processes and protocols
- Ensuring compliance

The SRO model helps an organization become continuously more adaptable and adept at planning and execution. But it's not for the faint of heart. In many cases, it will require two to four years to effectively integrate, depending on:

- Current culture
- Level of process discipline typically applied to strategy development and execution
- Maturity of strategic portfolio management and project management processes
- Understanding of resource planning
- Executive commitment to change

Regardless, the potential payoff is significant. Organizations that implement an SRO-type model can establish a strong competitive advantage. Beyond resulting in efficient and reliable strategy execution, such an approach can help a healthcare organization evolve to be readily adaptable to the changes and transformational requirements of an increasingly demanding market and competitive landscape. ■

### About the author



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