

# Strategic Priorities for Ontario's Hospitals

## Observations Arising from a Symposium hosted by the Hospital Report Research Collaborative

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# Strategic Priorities for Ontario Hospitals

## Background

The Balanced Scorecard underlying the *Hospital Reports* is based on a theoretical understanding of hospitals' strategies. That is, it implies linkages among: (a) the activities in which hospitals invest to improve their processes, retain and increase the capabilities of staff, and integrate with other health care providers and their communities (i.e., System Integration and Change); (b) the results of internal processes (i.e., Clinical Utilization and Outcomes); (c) client satisfaction (i.e., Patient Satisfaction); (d) and financial performance (i.e., Financial Performance and Condition).

Although the selection of indicators in each quadrant is governed by a process that includes environmental scans and extensive consultation with hospital managers and providers, the relationships among the indicators and hospitals' strategies have not always been explicit or validated.<sup>1</sup> Therefore, we invited attendees at the *Hospital Report* symposium (held in Toronto on June 10 and 11, 2004) to engage in a systematic process that sought to link the measurement framework described above to hospitals' expressed strategic priorities and challenges.

**Summary Point:** *Hospital Report* is in the process of validating hospitals' strategic priorities.

## Objectives of the Strategic Priorities Session

The objective of this session was to identify the most important challenges facing Ontario hospitals and the concrete ways by which hospitals are responding to these challenges. Hospital board members, CEOs, senior hospital leaders, and representatives of the Ontario Hospital Association (OHA) and the Ministry of Health and Long-Term Care (MoHLTC) took part in the strategic priorities session.

A **strategic challenge** has three components:

- A recognition of a stimulus such as a policy (e.g. accountability agreements) or an environmental or epidemiological factor (e.g. the emergence of SARS) or a source of competition (e.g. another hospital offering similar types of care and competing for the same small set of qualified providers). It is important to note that these stimuli may be internal (e.g. a culture of safety) or external (e.g. a declining overall pool of health human resources).

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<sup>1</sup> Historically, work validating frameworks tends to focus on narrow evaluations such as case studies (Kaplan and Norton, 2000; Imandar, Kaplan and Bower, 2002), theoretical critical analyses of the scorecard (Norreklit, 2000), models for specific uses from a theoretical perspective (Baker and Pink, 1995; Nelson *et al*, 1995; Solberg, Mosser, and McDonald, 1997), empirical evaluations of individual performance indicators (Griffith, Alexander, and Jelinek, 2002, Leggat *et al*, 1998), or it tends to focus on one set of users of performance data (Sicotte *et al*, 1998).

- An understanding of the susceptibility of the hospital to this stimulus (i.e., this stimulus will not affect the hospital, or it may affect the hospital, or it will likely affect the hospital).
- An understanding of the consequences of the stimulus (i.e., a substantial reduction in revenues, a major threat to patient safety, or a loss of control over patient flow in or out of the catchment area).

A **strategic decision** refers to a choice made by management (i.e., executives and operational managers) where the action(s) taken by the organization, the resources committed, precedents set, or consequences thereof are significant and can critically affect the organization's health, position, and survival. (Thomas et al., 1993; Eisenhardt and Zbaracki, 1992; Hickson et al., 1986, and Mintzberg et al., 1976).

A strategic decision has two components: an explicit commitment to a plan of action and an understanding of the rationale informing that action. For example, in order to meet the strategic challenge of enhancing staff recruitment, a hospital could make a strategic decision to use population health data to identify human resource needs, the rationale for which is to deploy human resources based on anticipated external needs.

All strategic decisions should be significantly related to an organization's sustainability, growth, or culture. For example, the strategic decision to use population health data to drive staff recruitment relates to organizational growth and sustainability (since it links internal capacity to external needs), and, furthermore, is consonant with an organizational culture that stresses partnerships and intersectoral cooperation to help resolve the root causes that underlie many health problems.

Both the strategic challenge and the strategic decision require an understanding of susceptibility and consequences, although the set of susceptibilities and consequences associated with each are not necessarily identical. For example, a hospital's strategic decisions may only mitigate some of the risks associated with a challenge and may provide benefits that are unrelated to any particular challenge.

To lead the discussion on strategic decisions and challenges facing Ontario hospitals, symposium attendees heard perspectives from the Ministry of Health and Long-Term Care (George Zegarac, Assistant Deputy Minister), the Ontario Hospital Association (Rosalind Smith, Vice President, Member and Professional Relations), and the Canadian Council on Health Services Accreditation (Elma Heidemann, Executive Director). Brian Lemon, CEO of Lakeridge Health and the Chair of the *Hospital Report* Strategic Advisory Committee, chaired the panel. Adalsteinn Brown (Principal Investigator, HRRC) provided a summary and analysis of strategic directions that had been identified by hospitals in a survey distributed by the HRRC in January 2004. Following the discussion and debate elicited by

these presentations, the attendees split into break-out groups organized by hospital sector (i.e., acute, non-acute) and peer group (i.e., teaching, community, small). Break-out groups, each facilitated by an HRR member, identified what they collectively perceived to be the top five strategic challenges facing their respective organizations and then highlighted strategic decisions that have or will be taken in response to these challenges.

## **Results of the Strategic Priorities Survey 2004**

Prof. Adalsteinn Brown summarized the results of the HRR's Strategic Priorities Survey, distributed in January 2004 to acute care hospitals and collected in February-March 2004. The survey had a response rate of 82.3% (102/124) and respondents were varied. (Small hospitals: N=26; Community: N=64; Teaching: N=12).

The survey covered a broad range of topics. The HRR identified the top strategic priority issues by selecting those issues that were reported by over 70% of respondents as being important or very important to their hospital's strategic directions over the next five years (given a list of 73 pre-identified issues). The identified strategic priorities were grouped under the following 10 umbrella themes:

- Human capital
- Corporate governance and management
- Patient care management
- Service integration and partnerships
- Organizational efficiency and design
- Improved information use for decision-making
- Consumer engagement, knowledge and perception
- Privacy and confidentiality
- Disaster preparedness
- Fundraising

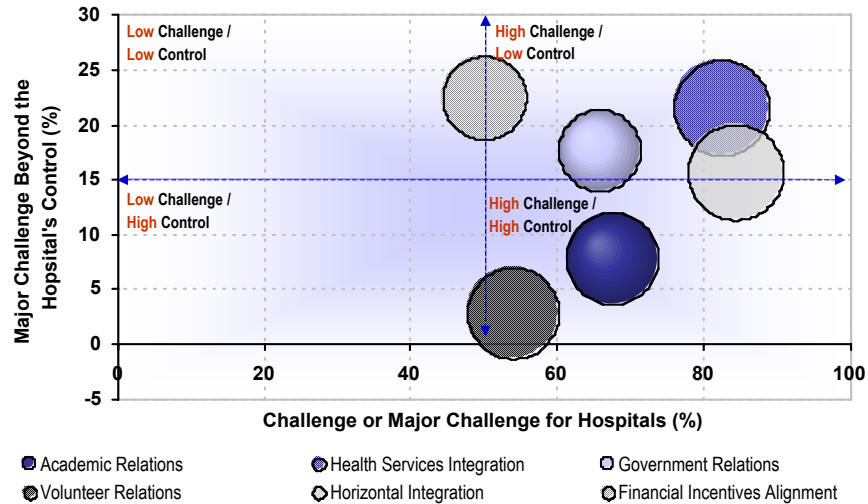
The survey results revealed that hospitals identify clear strategic challenges. However, hospitals feel limited in their capacity to effectively address those challenges. The strategic challenges selected by hospitals in the survey centred broadly on improving sustainability (i.e., human and other resources), generating a broad approach to partnerships, and implementing change to deliver more effective care. However, hospitals felt they had limited control over some of these challenges and that they were in competition for a number of necessary resources to help resolve them. The bubble graph that follows reflects some of these tensions, as reflected by the survey responses.

For example, the bubble graph shows that over 80% of respondent hospitals noted that horizontal and vertical or health services integration were very important strategic issues — but the respondents associated these priorities with

**Summary Point:** Respondents identified challenges in sustainability, partnerships, and delivering more effective care.

considerable challenges — and more than 10% of respondent hospitals reported that meeting these integration challenges was beyond their control.

## A Key Strategic Challenge: Integration and Partnerships



Looking at the bubble graph<sup>2</sup> above, more than 15% of hospitals perceive furthering government relations and aligning financial incentives across organizations and providers as major challenges beyond their control.

Notwithstanding the challenges posed by integration and partnerships, Ontario hospitals are demonstrably committed to joint initiatives. Our strategic priorities survey indicated that the most frequently reported horizontal integration models are networks (74%) and alliances (56%) but other models include integrated clinical programs and joint strategic planning groups across regions. The most frequently reported vertical integration partnerships are with CCACs (61%), primary care providers (59%), and LTC facilities (53.9%); less frequently reported are partnerships with Mental Health facilities (2.9%), Rehabilitation facilities (34%), and CCC facilities (37.3%).

**Summary Point:** Despite perceived challenges in establishing them, hospitals are committed to more partnerships.

### <sup>2</sup> Interpreting the Bubble Graph

- The size of the circle or bubble relates to the level of perceived importance to an organization's strategic directions over the next 5 years
- The mid-point of the circle corresponds to the actual percentage point
- Y-axis = % of hospitals that reported that the issue is a major challenge but beyond their control, implying the need for system-level resolution
- X-axis = % of hospitals that reported the issue as being a challenge or major challenge to their organization's long-term sustainability
- Looking at the quadrants, the upper right quadrant represents an opportunity to collaborate on ways of addressing the issue; the lower right quadrant also represents an opportunity to share strategies
- The Y-axis is scaled below zero to allow for accommodation of graphic circles that near the 0% point

Symposium panelists similarly emphasized the importance of greater integration and partnerships. There was broad agreement on the necessity of linking data systems, since, as Adalsteinn Brown observed, it is axiomatic that integrated care drives improved care. All panelists felt that integration should not be seen as an end in itself, but rather as a means to an end (i.e., improved access and improved outcomes). Therefore, while challenging, the panelists agreed that further data integration is necessary. In the context of creating partnerships for data integration, Rosalind Smith advised the audience that it is important to identify metrics and a consensus on outcomes before developing linked data systems. A good example of how to do things properly, she advised, is the Rural and Northern Networks initiative. Elma Heidemann noted that provinces that are regionalized are making great strides in data integration, and Ontario has much to learn from them.

### Strategic Challenges and Priorities Identified in the Small Groups

The Hospital Report Research Collaborative (HRRC) rationalized the 73 strategic challenges identified in the survey down to 30. Prior to dividing into break-out groups (organized by hospital peer groups and hospital sectors) attendees individually identified the following top five (out of 30) challenges facing their respective hospitals:\*

#### Top 5 Strategic Challenges as Identified by Peer Group

Strategic Challenge	Teaching N=16	Community N = 43	Small N= 9	All Acute N = 68	Non-acute N=17	Other N=13
Improving Patient Safety	X	X		X	X	
Enhancing strategies for clinical/staff recruitment	X	X			X	X
Implementing decision support systems		X	X	X		
Implementing an Electronic Health Record	X		X		X	
Promoting evidence-based standards and best practice		X		X	X	X
Implementing innovations in patient care delivery			X			
Enhancing operational efficiency	X	X		X		
Developing partnerships for horizontal integration	X		X			

Strategic Challenge	Teaching N=16	Community N = 43	Small N= 9	All Acute N = 68	Non-acute N=17	Other N=13
Planning based on population health		X			X	
Renewing capital infrastructure			X	X		
Increasing performance measurement			X			
Succession planning for staff					X	
Aligning financial incentives across organizations						X

In the facilitated break-out sessions, symposium participants reiterated the significance of the dominant strategic challenges tabled above. When the findings of all the groups were summed, the following four strategic challenges emerged as the most important:

1. **Enhancing strategies for clinical/staff recruitment**
2. **Developing partnerships for horizontal integration (e.g., networks)**
3. **Improving patient safety**
4. **Implementing decision support systems**

Each group identified the strategic decisions that should be undertaken to address these strategic challenges. Listed below are the strategic decisions that participants identified.

### **Strategic Decisions Linked to Top Strategic Challenges\***

*\* Indicates that the strategic decision was raised by two or more of the break-out groups at the symposium.*

#### **1. Enhancing Strategies for Staff Recruitment**

- Create a positive work culture\*
- Develop incentives for a quality work environment\*
- Develop linkages with professional associations and educational institutions\*
- Develop staffing models that make appropriate/best use of different staff skills\*

- Develop system strategies for resolving issues, including identifying resource needs and decreasing competition
- Create opportunities for staff development
- Put an HR strategic plan into place and monitor success in achieving goals
- Ensure that HR is a top priority throughout the organization

## **2. Developing Partnerships for Horizontal Integration (e.g., networks)**

- Identify and select appropriate partners\*
- Develop a mission, vision and governance structure that explicitly identifies definitions and criteria for partnership success, and expected outcomes\*
- Align objectives and incentives for success\*
- Improve existing regional partnerships for diagnostic groups by engaging front line staff
- Use information management/decision support as an enabler
- Manage resources across the partnerships
- Evaluate partnership success and make the Board accountable
- Fund infrastructure to support networks

## **3. Improving Patient Safety**

- Technology infrastructure (e.g., order entry)\*
- Dedicated HR and programs (integrated with other hospital QI Risk Mgt programs)\*
- Implement a blame-free safety culture\*
- Realign policies/procedures (and standardize) in relation to best practices
- Improve communication strategies internally and externally
- Engage consumers/patients
- Ensure appropriate staffing ratios
- Lobby for a legal system that supports a blame-free culture

## **4. Implementing Decision Support Systems**

- Standardize systems\*
- Acquire appropriate and sufficient resources\*
- Develop a system strategy to ensure a common set of indicators, skill sets, and products
- Ensure that evidence-based decision-making is a part of the corporate culture
- Integrate lessons from other industries at a senior management level
- Decide whether the organization should be leading edge, “bleeding edge,” or a late developer
- Determine when to out-source
- Ensure that decision support team is using real time data

## **Next Steps**

The Hospital Report Research Collaborative has identified two key next steps in the research and evaluation on strategic priorities. The first is to complete a validation study of the final (above-listed) strategic priorities identified during the symposium. To this end, we will request feedback from hospital CEOs to ensure that these identified priorities are consonant with what they see as their organizations' respective priorities. Validation may also involve the use of case study methods to verify the identified strategic challenges. The second key analytical step involves looking at our findings and identifying strategic priority groupings for different peer groups and hospital types. This latter step will enable us to paint a more complete picture of the industry structure for the hospital sector in Ontario. For example, do community hospitals place a greater value than teaching hospitals on strategic linkages and partnerships? What sorts of strategic priorities put teaching hospitals in conflict or competition with hospitals outside of the urban centres? Our rich data set will thereby facilitate the types of analyses that will ultimately lead to conclusions about what sorts of system-level priorities best advance the collective interests of Ontario hospitals. We anticipate that these two research steps will be completed by the Fall of 2004.

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