

Literature review of quality management and strategic planning in healthcare

Abstract

The health care industry operates in a complex environment that is influenced by various factors located in the internal and external environment. For this reason, top management needs to develop unique skills necessary to predict potential threats and implement actions to lead providers of care to accomplish their goals. It is expected that the accomplishment of such goals (that are in line with the institutions' mission) will result into a quality product. The incorporation of management tools is a key element to identify not only an institution's performance, but also its external environment. Also, tools that enable an organization to assess and develop critical actions adopted to improve operations, overcome threats, and participate of existing opportunities.

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Definition of strategic planning in healthcare industry

Strategic planning is about deciding on issues that are relevant to the organization. It involves everyone that is committed to the organization's purpose, which guides the goals, objectives and strategies an institution is planning to implement in the short or long term.¹

Strategic planning tools

As the environment in the healthcare industry is constantly changing healthcare institutions has been embarked in a complete redesign of how hospitals and community clinics are taking care off. Healthcare leaders noticed that in order to continue to compete in the market methodical planning has to be a part of the daily operations.^{2,3}

The previous statement confirms the presence of thousands of health care providers and their focus on providing specialized services based on their community needs. Although this is true, healthcare institutions have to face a constant changing environment.

Why strategic planning?

Health care providers have noticed that focusing on daily operations was not enough to keep services operating and customers satisfied. Other institutions began with structural modification in order to keep close to the competition or strive to improve above the norm.³ Again, Goldsmith and Fottler,³ as cited in added that due to a decrease in clinics' hospitalization "...the industry has been transformed from primary social-welfare institution, existing on coast reimbursement government subsidies, into an economic institution struggling to maintain viability in an increasingly competitive market" (p 34). A noticed, the main reason why health care providers have to embark in strategic planning is due to the shift in resource allocation and the rapid transformation of the healthcare industry.

First, it is about the institution, providers have to refocus on what best describes the services provided. Strategic planning in this case will begin to identify the institution's purpose or mission as it relates to the community it serves. Strategic planning benefits hospitalsin becoming more effective and efficient by outlining its goals and objectives, it engages owners or board members in the

planning process, and it provides the necessary tools to identify its customers and prospective donors. And second, strategic planning facilitates and environment that influences employees' cooperation "...by stimulating strategic thinking and focusing on what really matters to the organization's long term success".¹ For example, if a primary healthcare clinic is planning to expand its services to another community, it has to consider if the decision of expanding is part of its strategic goals. In other words, decisions are made to improve and extend the services provided based on a collaborative participation between the institution and its stakeholders.

Who are involved

Board or owners

Board or owners involvement in the strategic planning process is a key element that provides leadership in the implementation and successful execution of a clinic strategic planning process. Research in the healthcare sector related to board members participation in the organization strategies confirmed that boards members role has changed from a traditional perspective-Chief Executive Officers counselor and supervisor-to a more active participation.² More, owners or board participation include the creation of new services and operations efficiency. For example, improve services that will decrease patients' hospitalization time and readmissions. Certainly, owners or board members with expertise bring value to the organization owners' participation in the process is valuable.² pointed out that experienced trustees, directors, or owners provide superior opportunities where the institution is able to overcome many internal and external challenges. Indeed, the more diverse expertise reflects the strength a clinic possesses to make knowledgeable decisions. Therefore, hospitals benefited from contracting costly services offered by other providers and can work on issues that are of interest to the organization.

Employees

There are different levels of employees within an organization. Clinical professionals are the institution's face whom interacts with patients and medical providers. As well, clinical professionals as other employees need to be included in the strategic planning process from the beginning of the planning stages. As mentioned by Swinehart et al.,³ healthcare institutions maintain a culture of acquiring medical

apparatus to preserve its community status. For instance, if a provider of care's mission included state of the art service, it will be helpful to have clinical professionals included in the conversation. Clinical professionals will provide information on modern medical equipment necessary to provide a state of the art service-diagnostic ultra sound equipment, medical gas equipment, surgical chairs, anesthesia machine for the lab, etc.). Other non-clinical employees are also part of the strategic planning process and must actively participate in the process of creating the strategic mission statement. Furthermore, "... labor costs account for about 55-60 per cent of the operating expenses in hospitals, activities associated with recruiting, hiring and retaining employees are of paramount concern".³ Special importance needs to be on the human talent, owners or board members need to identify the clinic's human talent according to the organization's mission.

Other stakeholders

Stakeholders represent people that are concerned about the clinic's ability to carry out its purpose. Including the people assigned to put the strategic planning into operation.¹ There are internal stakeholders-departments and people that are part of the processes-and external stakeholders-Community, providers, patients, supporters and others. As with the owners or board members, stakeholders need to be included in the strategic planning process as well. Above all, a mission statement needs to be across the entire institution. The risk of not implementing the later could affect the efforts set in place to advance the organization's plans.

Other strategic elements

Mission: The closest definition of mission found in Merriam-Webster (2013) dictionary related to the strategic process is "a body of persons sent to perform a service or carry on an activity...". The previous definition indicates that the process takes more than one individual to execute an activity,¹ expressed that a mission statement describes the organization's main activity and its purpose to everyone. The authors also indicated that there must be enough information for it to be communicated to the internal and external stakeholders. Certainly, at some point, the organizations' owners and CEOs or managers will have to communicate the institution's mission-to the employees-and the role that each individual plays in it. As an illustration, the type of service(s) and values expressed in the strategic plan will rule licensed nurses' interaction with peers and patients. Every clinical professional and staff members will need to be oriented in that direction. A potential mission statement for a clinic can be to Serve San Bernardino County underserved residents by providing professional healthcare education and promotion services to improve the community's health. Kaplan and Norton⁴ presented a pyramid with the strategic mission statement as the highest level within a healthcare institution, followed by stakeholders (included customers), financial operations, and learning and growth (employees). Kaplan and Norton are emphasizing that in order to be successful it is important for the institution to create and sustain an operational structure. Why a mission statement is important for the organization? A strategic mission statement is important because it clarifies an institution's purpose the statement emphasizes the institution's business and it describes the beneficiaries of its endeavors.¹

Vision: The vision is an extension of an organization's mission, which reflects its desired achievements or aspirations at a particular time.⁵ As well defined and with open eyes, a provider of care's leadership responsibility is to share this vision not only with its employees, but

also with external stakeholders. In addition, once a vision statement is created-with every sector's participation-it is necessary to have it disseminated to everyone that has an interest in the institution's success.

Values: Shared belief between employees and shareholders affects personal behavior. Every institution has values, which guide the employee's behaviors within and out of the workplace. Values can be explicitly expressed or implicitly known. The selection of organizational values follows the same models used to create the previous mission and vision statements-stakeholders participation. In addition, values selection includes the participation of individuals that share the institution belief.¹ Owners and managers are responsible to have the organizations' values disseminated throughout the institution. For example, during strategic planning process personnel of a dental clinic was deciding if it would be best to create new values for the clinic or to adopt its university-established values. The final decision was to have a combination of both, despite the final decision the clinic had to follow the university's core values. As well, as the clinic identified its customers as underserved communities, some of the options will be care, awareness, change, connection, cooperation, creativity, diversity, dignity, education, health, and excellence.

Goals: Although goals are broad statements, they are developed for specific areas. Goals are usually set at the beginning of the operational period or for specific projects. In addition, goals can be for operational processes (finance, employee's education, customers' satisfaction, and others) or institutional strategic plans.^{1,5} Porter (1980) as cited in² reasoned that institutions communicate selected strategies utilizing strategically selected goals. Again, goals are broad action items employed to guide the clinic's strategic decisions.

Objectives: Goals and objectives setting are a complicated and valuable process at the same time, especially in a strategic planning process. Guidelines need to be in place and departments' support with relevant information provides a point of reference.¹ In health care clear objectives must articulate the grade of action that is required. For instance, Allison and Kaye wrote that objectives have at least three characteristics, objectives are specific, quantifiable, and are timely. As an extension of an institution's goals, an objective indicates specific subjects that will experience some degree of change over a specific period. The presence of strategic objectives in a strategic document will provide the managers with an instrument that is useful to measure the institution's performance. This will allow the organization to evaluate its actions and to determine if the actual operations are moving to the right direction. In addition, it provides the owners with information that is good for decision-making during the strategic planning period.

Environmental assessment

Before diving into an analysis of an environmental assessment, leader's managers and supporting staff have to gather information of past performance and actual activities. Again, an assessment of the environment (internal and external) can determine areas of strengths and weakness.¹ To put it another way, for an organization to have the capability to determine who it is and the element that affect its operations for good or bad, is through a profound assessment of why, how, and what it does. A tool researchers recommended for strategic planning activities, is the balanced score card. According to Voelker, Rakich and French,⁴ the balanced score card responds to the need to have an instrument that provides healthcare organizations

with the ability to quantify and control outcomes. Allison and Kaye also suggest two approaches to accomplish this section. One is the installation of a committee and gathering information from other agencies that had done transactions with the institution. The following sections will provide more information on the topic.

Internal

For any assessment, the recommendation for a clinic is to have a structured environment with clearly established policies and procedures. Unquestionably and most important of all is a commitment to its mission and the accomplishment of its strategic endeavors.

Strengths

Once background data is gathered, the next step will be to compare against a benchmark. For example, Gupta⁶ cited that leading institutions are engaged in the offering of excellent products to patients and other stakeholders. The author's research on the topic was to comprehend the definition of excellence through the product offered and recognized best approaches to create a model that is, to take the product to another level.

When working on strengths, it is suggested that the owners identify areas where the clinics excel. Again, Gupta⁶ offered few examples resulted from their research study: "Modern state of the art equipment, careful and correct diagnosis of patients problems, and consistent delivery of healthcare services each time" (p.25). Besides, other areas of strength are employees qualifications, years operating, the clinics location, number of patients attended per year based on the county current indices for San Bernardino.

Weaknesses

As stated by Allison and Kaye,¹ when weaknesses are identified the institution must employ its strength to overcome such weaknesses. This situation usually occurs when there is an occasion to grow. However, the owners and the manager need to employ innovative approaches for daily problems. Again, the scorecard is a good example to identify the organization actual weaknesses. A comparison of goals and performance are a good way to identify weaknesses; healthcare organizations that are not able to accomplish established objectives in a continuous manner require major transformation.⁵

External opportunities

External opportunities encompasses substantial changes that are external to the institution's control. Similarly, external opportunities depends in many instances on the economy which has to do with the demand of services⁵ In business it is said that "opportunity only knocks once", organizations with a mission should be able to identify their priorities based on the strategic mission. Besides, providers of care may also consider their strengths on non-service qualifications; for example partnership with other clinics and governmental institutions, its recognition within the community, and the organization's solvency.

Threats

The strategic planning process is an activity that incorporates necessary elements required by organizations to remain or become successful in a competitive environment; every section of the planning process has to be pinned to the strategic mission statement. Actually, healthcare organizations are threatened by many external forces in today's economy. Changes that happen in politics and technology

include demography, economy, and changes in the society have a direct pressure on healthcare providers because customers preferences change and so competitors strategies. The Boston Consulting Group (BCG) portfolio analysis takes into consideration two areas that are significant for every organization, the market growth rate, and market share position.⁷ Others have contradicted this view: However, this approach has been criticized as being too simplistic, and the growth rate criterion has been considered insufficient for the evaluation of the industry's attractiveness. Similarly, the market share as a yardstick for estimating the competitive position may be inadequate.⁸

Weihrich suggest the use of the TOWS template as it encompasses more variables than the model presented by BCG. The author continues to mention that the TOWS model does not substitute BCG or other alternative used to evaluate firm's strategies. On the other hand, the strategic position and action evaluation (SPACE) is an extension of the first model presented; SPACE implies or considers the best options that are suitable for an organization under four dimensions or areas.⁹ In this case, SPACE takes into consideration the organization's environments-internally and externally. Then, based on the results, managers will make a selection of the best options in order to overcome identified challenges. The BCG is useful for developing adaptive strategies, though the model falls short from presenting the resulting strategies from the inventory of the organization's internal and external elements. In the case of SPACE, its evaluation is based on conditions present in an organization environment; the model based it results on a list of factors used to evaluate the institution performance and as a result establish what is best for the organization.

Moreover, BCG is a great tool used for developing adaptive strategies in health care, it has been using by health care managers over time. Nevertheless, the TOWS matrix is a better model that incorporates specific external scenarios (general environment, health care environment, and service area and competitive issues). In regards to SPACE, the model assist the health care institution by indicating the areas that are weak, strong, or in between. For instance, BCG is helpful to indicate health care providers' external and internal situation in general without focusing on specific areas for analysis and adaptation. Almost the same applies to SPACE, which measure the organization's profiles based on a series of factors or behaviors. The medical center operational environment is similar to the conservative posture; especially, with the economic downturn that hit the nation's ability to function well under challenging conditions. Other important business elements need to be included in order to have the opportunity to gain environmental stability and financial strength.

Definition of quality

The approach is to look at the definition of quality from different perspectives within the health care industry. Managers look at quality based on internal and external customers response and make necessary adjustments where required. The definition of quality, as provided by the Institute of Medicine (IOM) and shared by Lohr (1990) as cited by Kelly (2011) is "the degree to which health services for individuals and populations increase the likelihood of desired health outcomes and are consistent with the current professional knowledge" (p.6). In other words, it is a service of excellence provided at a proficient level, which satisfy the expectations of providers and patients. The importance of adding patients to the definition is not a coincidence, since patients are the ones that define quality based on the service they receive. Continuing with the understanding of the definition of quality, IOM also included the term professional knowledge; which

interpretation may not be limited only to the clinical outcome, but also to nonclinical efforts incurred to create a desirable environment for patients and clinicians.

Patients perspective

In this section, the perception of quality is from the patients' perspective¹⁰ commented that a clinic's patient-centered-approach replicate the customers' necessities by attending their valued concerns of the service provided. In other words, the clinic's pronouncements on patients' requirements are a priority to the institution. Otherwise, the centeredness of the process will be on the providers' point of view. Besides, Kelly (2011) insisted on the pivotal role patients play for providers of care. In fact, the author mentioned that patients expectations (during and post service) must not only be satisfied by health care providers, but the providers ought to go beyond the expected necessity.

Researchers investigated the effects of using patient's survey (by providers) to determine quality improvement.¹¹ The results confirmed the lack of organization preparation in data handling and proficient knowledge associated with the inexperience of focusing on patients' values. That is, a patient centered-approach needs the involvement of individuals that are knowledgeable of patients' expectations, values, and their background. Otherwise the experience will not accomplish its objective, rather prove that its ineffectiveness will present an effect contrary to expectations.

Providers perspective

Many providers perspective on patients centered approaches are contrary to the method of satisfying patients' needs¹² reported that opponents to the patient centered-approach, suggests that it is not a proper practice to satisfy every patients requests. In addition, the author continues to mention that the implications pointed out by opponents to the practice are: adverse financial issues for entities with scarce resources; concerns on objectivity and how suitable it is to accept other models open systems. Moreover,¹³ disclosed the barriers top management will encounter in the implementation of excellence within an institution (p. 635):

- a. inadequate errors:
- b. inadequate human resources:
- c. lack of leadership for quality, and
- d. lack of formalized strategic plans for change.

The previous points support the idea that quality viewed from the providers' point of view is lean more on the efforts placed on internal perspectives (finance, personnel development, and operations).

Techniques and methods used to ensure quality

Many health care organizations participate of the requirements imposed by regulating agencies to maintain a level of quality in the services provided. Kelly (2011b) commented that regulations on the services provided by health care organizations are at every level in the nation. Moreover, the propositions of the requirements are to measure health care agencies and practitioners' degree of quality in the provision of clinical services. Providers of care are required to follow well-defined guidelines required by private and public agencies or enacted laws that regulate the health care industry:

- a. Health Insurance Portability and Accountability Act of 1996 (HIPAA)
- b. Centers for Medicaid and Medical Services (CMS)
- c. Affordable Care Act of 2010 (ACA)

Quality improvement tools

There are many guidelines for quality improvement used by health care organizations to improve the quality of service offered to internal and external stakeholders. For instance, a few of the various quality concepts and principle ingrained in the health care industry are:

- a. The Joint Commission
- b. Continuous Quality Improvement (CQI)
- c. Total Quality (TQM)
- d. Malcolm Baldrige National Award (MBNQA)
- e. Evidence-Based Medicine (EBM)

The joint commission role in the health care industry is to regulate the services offered by the providers of care. The commission takes six standards of care into consideration: "Leadership, environment of care, medications management, information management, patient care, and national patient safety goal". Considering the previous standards, in order for a health care provider to be successful, in its efforts to provide improved quality within its services it requires teamwork. In spite of the weaknesses that may be present in the provision of care, providers of care's management need to address the guidelines in order to provide safety to patients and employees, access to care, and improved services. According to Sepucha¹⁰ the application of standards such as the Joint Commission Standards "...could provide an important level for change to leaders of organizations committed to quality improvement" (p. 8).

Furthermore, Kelly (2011) continuous to mention that CQI approaches minimize or eliminate deficiencies present in the organizational processes where CQI function is to increase the value of its outcomes. Importantly enough to mention, is the notion that the application of the method is not a onetime activity. It should last during the life of the organization. Another, the definition of TQM provided by Kelly (2011) suggested that it is an attitude set by the managers to differentiate the organization's methods of doing business. The three principles that characterized TQM are customer focus, continuous improvement, and teamwork. As noticed, the previous principles are interrelated so much that the strengths and weaknesses of one will have an effect on others. In their article, researchers commented on the functions of the MBNQA, where the authors described that the award is instrumental to support organizations in their pursuit of distinction through the application of managerial and procedural practices.¹³ In addition, the criteria for the recognition of MBNQA have its bases on health care and processes, customers, workforce, leadership and governance, and finance and markets. The latter supports providers' efforts to apply and perform with the highest standards.

Next, Vos et al.¹⁴ noted, that the application of EBM in the health care industry, is to advance the provision and management of care. The authors analyzed the utilization of EBM practices in western countries and concluded that the concept is unfixed and dependable of the association between local institutions and the public culture. As well, Kelly (2011) asserted that the change to EBM by various medical practitioners increased the rule on its practice to ensure an effective application of the model.

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Conflict of interest

The author declares no conflict of interest.

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