“This is the goal of the Agile mindset: to remove waste by creating an organization that focuses on discovering customers’ needs and meeting those needs quickly and affordably.” — Bob Gower

Designed for executives and strategy facilitators, the Agile Strategies approach outlined in this paper is a strategy execution framework that integrates best practices for developing, implementing, and sustaining a shared strategy that is both focused and flexible. Designed with the healthcare industry in mind, Agile Strategies builds on the experience gained from other industries, particularly technology, in which complex relationships and change are par for the course.

Healthcare is an industry in a state of transition. Healthcare organizations — whether for-profit or mission-driven — providers, payers and suppliers are challenged as never before with demands for better patient outcomes along with relentless pressure on margins. All this is occurring in an atmosphere of profound regulatory change and uncertainty, as well as rapid consolidation and blurring of traditional industry boundaries.

Healthcare organizations are responding in a number of ways:

• Creating a patient-centric, consumer-oriented approach based on patient conditions and patient experience
• Bundling payments for care cycles, moving away from “fee for service”
• Creating better measurement of per-patient costs and outcomes
• Consolidating diverse professional units into integrated care delivery systems
• Making use of enabling technologies, particularly electronic medical records

Still, healthcare organizations face tremendous cultural, structural, and business process challenges that make it difficult to adapt quickly and nimbly to change:

• Deeply entrenched organizational silos based on professional training and affiliation
• Difficulty finding meaningful information in mountains of big data
• Challenges with prioritizing investments in new facilities, technology, people, or other capacities
• Lack of employee engagement and collaboration in new strategies
These conditions have been the status quo in technology and manufacturing organizations for years, hammered by global competition and rapid change. Successful firms in those industries share these characteristics:

- Engaging the **collective intelligence** of employees, customers and stakeholders in evaluating issues and choices for moving forward
- Building a persistent **focus** on improving customer value — in this case, better patient experience and clinical outcomes
- Using actionable performance metrics to **align** action throughout the organization, set the goalposts for success, and evaluate alternatives
- **Acting** nimbly to rebalance project commitments in response to new information and priorities, dead ends or unanticipated opportunities

**The Agile Approach to Strategic Planning and Execution**

Imagine a school of fish. Have you ever noticed how quickly — and collectively — they can pivot and head in a new direction? Do you think they did this according to a plan that the biggest fish set out for them? Or is it due to some mysterious psychic phenomenon? In fact, this is what scientists refer to as **emergent behavior**. The school’s movements are determined by moment-to-moment decisions of individual fish, taking their cues from interactions with their neighbors. You could call it “mass collaboration.”

The Agile Strategies approach recognizes that, in a human organization, strategy emerges out of a collaborative learning process on the part of everyone in the organization. While overall strategic direction must be set by the leadership, execution and innovation cannot occur unless everyone in the organization is engaged.

The Agile Strategies Toolkit™ builds on the best tools and insights from diverse management disciplines including lean manufacturing, agile software development, and balanced scorecard. It is a unique approach that keeps the focus on customer value, and provides the means for everyone in an organization to live, learn, and adapt strategy on a practical, daily basis. The Toolkit provides a set of **value disciplines** — practices and tools for engaging the collective intelligence of your organization in the three areas of focus, alignment, and action.
Collective Intelligence — Building engagement

Employees often feel disconnected from strategy, saying things like, “My job has nothing to do with strategy — I’m just keeping the lights on.” This is based on a misunderstanding of what strategy is. Every program, department, or job is part of a strategy that contributes to the patient. There is always room for improvement. The lean process improvement practices that began in the Japanese auto industry, summarized by Toyota as “Continuous Improvement and Respect for People,” are becoming well established in healthcare today. These practices have had radical impacts on both costs and quality of care. Continuous improvement culture is based on measures, linked to higher level strategies.

Most strategic planning methods emphasize steps in a process, but what is often missing is attention to the underlying culture of the organization. This is what most often makes or breaks a strategy. Strategies that make use of the collective intelligence of the team are more actionable than strategies that are imposed top down by executives and consultants. Collaborative organizations are inherently better at sharing information and making the strategy practical, taking it down to the patient floor, the lab, the supply closet, or the operating room.

The Agile Strategies Toolkit uses a collaborative process that balances consensus with clear strategic choices. One common source of “strategic planning fatigue” is holding a months-long series of meetings involving a broad spectrum of people in an attempt to build consensus.
Often, this well-intentioned effort results in too many compromises, and waters down the strategic focus needed to address the considerable challenges the institution faces.

Using the Agile Strategies approach, we seek broad, diverse input at certain stages, yet ask senior leadership to make clear decisions about the vision, value proposition, and priority initiatives at other stages. Senior leadership must make clear choices about what the institution will do, and the broader community is engaged in determining how to get there.

A complete process for creating a strategy and a system for sustaining it includes the steps shown in this graphic:

---

**Focus — Defining your strategic compass**

The key to a lean strategy that is clear, actionable, and flexible is to focus on patient value at every level of the process, including both patient experience and clinical outcomes. Elements of the strategy include:

- A customer value proposition that is consistent with the mission, vision, and values of your organization
- The strategic imperatives — also known as BHAGs (Big Hairy Audacious Goals) or WIGs (Wildly Important Goals) — that you need to address to in order to develop and deliver programs and other services based on that value proposition
- A strategy map and scorecard that shows how you will put the right resources, partnerships, and processes in place to deliver value, and how you will measure its success
- Investment in and accountability for implementation of strategic initiatives
- A regular cadence of project portfolio reviews to ensure continuous feedback from patients and other stakeholders about the success of your initiatives in delivering value to them
A key element in building an agile strategy is understanding how your organization provides and receives value in the community and business ecosystem it serves. Organizations exist in relation to a larger network of value creation that benefits a customer: the patient. The healthcare industry features a complex and dynamic set of stakeholder relationships, including various types of providers, companies that supply providers with supplies and services, payers, physicians, regulators, and so on, collectively providing positive health outcomes for the patient.

Understanding how you create value in this ecosystem is important in understanding how your organization fits in, what the competitive forces may be, and where you can continue to innovate and provide greater value.

In each relationship in your ecosystem, there must be a mutual flow of value. For example, the patient pays premiums to a health insurance company, which provides coverage to the patient and also makes payments to the provider. The provider furnishes the payer with information about the services provided and the costs incurred. Regulators establish guidelines and metrics for performance on the part of both providers and payers, and those providers and payers are obligated to provide information in return.
Align — Building an organizational system to deliver the value proposition

Entrenched professional silos, each with its own language and priorities, often characterize healthcare organizations, particularly hospitals and health plans. Trying to reconcile these differences of viewpoint can be an endless process. They are challenged to optimize the right balance among cost, clinical effectiveness, regulatory compliance, patient experience, and other stakeholder needs.

This is reminiscent of the old story about the blind men encountering an elephant. The first grasped its ear and proclaimed, “It is a large rough thing, wide and broad, like a rug.” Another, holding the trunk, said, “No, I have the facts: it is a straight and hollow pipe.” Yet another, holding a leg, said, “You’re both completely wrong; it is mighty and firm, like a pillar.” And so on. All of them are correct, based on what they perceive, but none has the complete picture!

At the end of the day, patient outcomes, not professional specialties or departmental organization, need to be the centerpiece of conversations about strategy and process improvement. Achieving the optimal balance requires a true understanding of the perspective of all stakeholders. This includes both what they want and need from your organization and what your organization wants and needs from them.

Tools like strategy maps can facilitate the design of facilities, technologies, and processes that drive better patient outcomes and communicate strategy visually. Strategy maps show how value is created, both clinically and financially. This is described through a sequence of four perspectives, each of which is a driver for the next. The four perspectives are Organizational Capacity, Process Excellence, Patient Value, and Financial Performance.
Use of a strategy mapping framework shows how high-level outcomes — better margins and better health outcomes — will be driven by process improvements, partnerships, information technologies, and organizational transformation. Today’s financial results are the results of yesterday’s patient outcomes and satisfaction, which in turn are based on earlier decisions about operations. Moreover, with quality ratings being put into the forefront, it is important to consider how clinical outcomes and financial impacts interact.

Through a collaborative process, teams flesh out specific objectives on the strategy map. Measures and targets then further define these objectives. This is the process of building a balanced scorecard.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Measure</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>Gross Margin %</td>
<td>5%</td>
</tr>
<tr>
<td>Revenue</td>
<td>Operating revenue</td>
<td>10% increase this year</td>
</tr>
<tr>
<td>Cost Management</td>
<td>Budget compliance</td>
<td>+/- 5% variance</td>
</tr>
<tr>
<td>Clinical Outcomes</td>
<td>Readmission rate</td>
<td>25% decline this year</td>
</tr>
<tr>
<td>Patient Experience</td>
<td>Satisfaction survey</td>
<td>90%</td>
</tr>
<tr>
<td>External Partnerships</td>
<td>Referral network</td>
<td>20% increase in referrals</td>
</tr>
<tr>
<td>Quality &amp; Efficiency</td>
<td>Medication errors</td>
<td>40% decline this year</td>
</tr>
<tr>
<td>Risk Management</td>
<td>Existence of plan</td>
<td>Plan in place by year end</td>
</tr>
<tr>
<td>Facilities</td>
<td>Emergency facility</td>
<td>Completion</td>
</tr>
<tr>
<td>Staff Skills</td>
<td>Training plan</td>
<td>75% completion</td>
</tr>
<tr>
<td>Collaborative Culture</td>
<td>Culture survey</td>
<td>10% improvement</td>
</tr>
<tr>
<td>Information Technology</td>
<td>Meaningful use of EMRs</td>
<td>Pass threshold</td>
</tr>
</tbody>
</table>

The balanced scorecard establishes measures and targets for each objective.
Act! — Executing and sustaining

Initiatives

Strategic initiatives are the projects that tie to major strategic imperatives and cut across the silos in the organization. These may be new or current projects that clearly support the vision and priorities. Initiatives can be bucketed into, and should be balanced among, three broad categories: keeping the lights on (including compliance with mandates), growing the existing business, and seizing new opportunities.

The key to making your new vision and value proposition come alive is to focus on the fewest possible initiatives. Initiatives must be broad enough to inspire coordinated action across all departments in the organization, and few enough to maintain leadership attention and momentum. Typically, ideas for initiatives are generated as part of the scorecarding process. This results in a long list of good ideas — but it will take a facilitated process among the smaller senior leadership group to review them, combine them, and “brand” them as a transformative effort designed to shift collective behavior in the right direction.

Once initiatives are defined, it is critical to establish clear accountabilities and resource commitments for the work that will be undertaken. A significant initiative will cut across a number of cost centers. It is a useful practice to identify direct expenses and FTE allocations that support the initiative, and tag them specifically as strategic expenditures during the budgeting process. It is also important to distinguish strategic expenditures from the regular operating and capital expenses of a given department. Establishing a special budget category for strategic expenditures can help make a distinction between what’s necessary for daily operations in a given cost center and that cost center’s contribution to a bigger initiative that can be stopped, accelerated, or otherwise modified.

Additionally, many organizations establish a project management office to provide leadership, facilitation, and reporting on major initiatives. This person or group may also be responsible for reporting on the strategic performance measures that the initiative is intended to influence.

Learning from Feedback

Private sector organizations that manage according to transparent, agreed-upon measures have been shown to generate better ROI, create better teamwork, manage risk, and foster innovation better than those that don’t. The use of highly visual and visible measures is a cornerstone of the quality movement that began with Toyota and has spread throughout the manufacturing sector. Agreed upon measures are goalposts that everyone in the organization
can see and creatively think about. Use of tools such as the balanced scorecard can extend this practice to more strategic, and less tangible measures, like customer satisfaction.

In a rapidly changing industry, making decisions based on executive intuition or on what worked in the past can lead to shortsighted decisions. This is especially true given how the implementation of the ACA is changing the healthcare landscape. Success in the new healthcare world will belong to those who can best identify opportunities, effectively connect their people and resources to those opportunities, and measure progress on leveraging those opportunities. Using a data-driven approach, creating a learning organization, and continuously adapting will ensure that resources are used optimally.

Strategic performance metrics — particularly those from the Patient Value perspective — must become integral to the organization’s decision-making culture. Best-practice organizations make this a regular item on the senior leadership meeting agenda. A well-managed system for tracking and reporting on performance information provides the goalposts that staff throughout the organization use to align their actions in pursuit of better value for patients.

Rebalancing Initiatives

Even the best initial prioritization of people and money to strategic initiatives is subject to change. The strategic assumptions behind the choice may be proven wrong. There might be more risk or cost than anticipated. Other events might impact the anticipated benefits of the project. Agile organizations review their strategic project portfolio at least quarterly, looking at the balance of progress, risk, cost, and anticipated benefits, and fund projects incrementally.

Quarterly portfolio review is used to rebalance investments in various strategic initiatives based on up-to-date information about patient and stakeholder value, revised costs and risk assessments, and projected benefits.
Strategic Cadence\textsuperscript{TM} refers to the ongoing cycle of conversations and decisions that create a sustainable management rhythm for the organization. For example, a deep dive into the assumptions behind a strategy might require a multi-day off-site retreat. At the other end of the spectrum, continuous improvement of routine activities might require a once-daily, ten-minute stand-up meeting. Strategic Cadence is a scheduled, ongoing cycle of conversations and decisions that link day-to-day activities and improvements back to strategic priorities. When reinforced by senior leadership, having a Strategic Cadence ensures that your strategies are continuously discussed, and refreshed as necessary. This is a key element in the institutionalization of strategy — leading change in a way that integrates communication, employee learning, alignment around positive incentives, and employee engagement.

\begin{figure}
\centering
\includegraphics[width=\textwidth]{strategic_cadence}
\caption{Strategic Cadence makes the strategic plan more sustainable and adaptable by scheduling regular conversations that explicitly link high level strategies to day-to-day activities.}
\end{figure}

Summary

Strategic agility is becoming a key competitive differentiator for healthcare organizations today. A number of academics have studied strategic agility, but for organizations who need a step-by-step, scalable approach, the Agile Strategies Toolkit is the first practical offering, designed by experienced trainers and facilitators. The Agile Strategies approach builds on lessons learned in fast-moving industries such as technology and manufacturing, and incorporates best practices from lean process improvement, agile software development and project management, and balanced scorecard.
About the Authors

Dan Montgomery

Dan has been training, coaching and facilitating in the areas of strategic planning, leadership development and balanced scorecard for nearly 20 years, following a 15-year career in information technology. His healthcare management experience includes work at the Boulder County Mental Health Center, Bergan Mercy Hospital, and Massachusetts General Hospital. Since becoming a professional consultant in the early 90s, he has worked with dozens of other healthcare organizations. Prior to founding Agile Strategies, Dan was Vice President of Professional Services for the Balanced Scorecard Institute and led the company’s consulting practice. He is co-author of The Institute Way: Simplify Strategic Planning and Management with the Balanced Scorecard (The Institute Press, Cary, NC, 2013). Dan offers a collaborative, high-impact, two-day Agile Strategies Toolkit™ workshop designed to adapt easily to your needs and to get your team up and running quickly. It is designed to clarify your strategic focus, teach you how to align your organization, measure the most important outcomes, prioritize initiatives, and sustain momentum.

dmontgomery@agile-strategies.com
720-641-3048
www.linkedin.com/in/montgomerydan

Christian Kulak

Christian is Director of Management for Excellus BlueCross BlueShield in Rochester, New York. He has successfully led a number of business model optimization and innovation efforts in the healthcare industry. He uses a fact-based approach that leverages both primary market research and secondary data sources such as claims data to bring to bear critical thinking for both short-term and long-term success. His unique ability to effectively connect research findings to opportunities and to lead subsequent change through collaborative leadership, strategic thinking, and trusted advice has allowed him to directly support successful performance improvement efforts. He is a well-rounded team player with a depth of healthcare industry knowledge and experience gained through working closely with top leaders and academics.

Christian Kulak is an employee of Excellus whose views herein do not necessarily represent the views of the corporation or its affiliates.

christian.kulak@gmail.com
www.linkedin.com/in/christiankulak