

CHAPTER 5

STRATEGIC PLANNING AND SWOT ANALYSIS

I skate where the puck is going to be, not where it has been.

—Wayne Gretzky

KEY TERMS AND CONCEPTS

- ▶ Force field analysis
- ▶ Opportunities
- ▶ Strengths
- ▶ SWOT analysis
- ▶ Threats
- ▶ Weaknesses

INTRODUCTION

Healthcare organizations must continually make adjustments to maintain optimal function (Christiansen 2002). A number of different techniques can be used to determine where adjustments need to be made. One essential technique involves a discussion of an organization's strengths, weaknesses, opportunities, and threats, commonly called *SWOT analysis*. SWOT analysis has been used extensively in other industries but has not been widely used in healthcare (Kahveci and Meads 2008).

SWOT analysis is a precursor to strategic planning and is performed by a panel of experts who can assess the organization from a critical perspective (Gibis et al. 2001). This panel could comprise senior leaders, board members, employees, medical staff, patients, community leaders, and technical experts. Panel members base their assessments on utilization rates, outcome measures, patient satisfaction statistics, organizational performance measures, and financial status. While based on data and facts, the conclusions drawn from SWOT analysis are an expert opinion of the panel.

DEFINITION

SWOT analysis is an examination of an organization's internal strengths and weaknesses, its opportunities for growth and improvement, and the threats the external environment presents to its survival. Originally designed for use in other industries, it is gaining increased use in healthcare.

SWOT analysis

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STEPS IN SWOT ANALYSIS

The primary aim of strategic planning is to bring an organization into balance with the external environment and to maintain that balance over time (Sackett, Jones, and Erdley 2005). Organizations accomplish this balance by evaluating new programs and services with the intent of maximizing organizational performance. SWOT analysis is a preliminary decision-making tool that sets the stage for this work.

Step 1 of SWOT analysis involves the collection and evaluation of key data. Depending on the organization, these data might include population demographics, community health status, sources of healthcare funding, and/or the current status of medical technology. Once the data have been collected and analyzed, the organization's capabilities in these areas are assessed.

In Step 2 of SWOT analysis, data on the organization are collected and sorted into four categories: strengths, weaknesses, opportunities, and threats. Strengths and weaknesses generally stem from factors within the organization, whereas opportunities and threats usually arise from external factors. Organizational surveys are an effective means of gathering some of this information, such as data on an organization's finances, operations, and processes (Carpenter 2006).

EXHIBIT 5.1
SWOT Matrix

| | | |
|------------------------|--|--|
| | Helpful to Objective | Harmful to Objective |
| Internal Origin | Strengths <ul style="list-style-type: none"> • Outstanding Medical Staff • Strong Commitment to Community Mission • Excellent Hospital Facilities • Outstanding Healthcare Quality • High Level of Organizational Efficiency | Weaknesses <ul style="list-style-type: none"> • Lack of Adequate Resources • Lack of Primary Care Network • Shortages of Critical Staff |
| External Origin | Opportunities <ul style="list-style-type: none"> • Growing Metropolitan Community • Increased Managed Care Business • Growing Community Healthcare Programs | Threats <ul style="list-style-type: none"> • Reduced Government Reimbursement • Competition for Specialty Physicians • Increased Competition from Healthcare Provider Networks |

Step 3 involves the development of a SWOT matrix for each business alternative under consideration. For example, say a hospital is evaluating the development of an ambulatory surgery center (ASC). They are looking at two options; the first is a wholly owned ASC, and the second is a joint venture with local physicians. The hospital's expert panel would complete a separate SWOT matrix for each alternative.

Step 4 involves incorporating the SWOT analysis into the decision-making process to determine which business alternative best meets the organization's overall strategic plan.

A practical example of Step 2 of SWOT analysis is illustrated in Exhibit 5.1.

STRENGTHS

Traditional SWOT analysis views **strengths** as current factors that have prompted outstanding organizational performance. Some examples include the use of state-of-the-art medical equipment, investments in healthcare informatics, and a focus on community healthcare improvement projects. Other strengths might include highly competent personnel, a clear understanding among employees of the organization's goals, and a focus on quality improvement.

Strengths

current factors that have prompted outstanding organizational performance

WEAKNESSES

Weaknesses are organizational factors that will increase healthcare costs or reduce healthcare quality. Examples include aging healthcare facilities and a lack of continuity in clinical processes, which can lead to duplication of efforts. Weaknesses can be broken down further

Weaknesses

organizational factors that increase healthcare costs or reduce healthcare quality

to identify underlying causes. For example, disruption in the continuity of care often results from poor communication. Weaknesses also breed other weaknesses. Poor communication disrupts the continuity of care, and then this fragmentation leads to inefficiencies in the entire system. Inefficiencies, in turn, deplete financial and other resources.

Other common weaknesses include poor use of healthcare informatics, insufficient management training, a lack of financial resources, and an organizational structure that limits collaboration with other healthcare organizations. A payer mix that includes large numbers of uninsured patients or Medicaid patients can also negatively affect an organization's financial performance, and a lack of relevant and timely patient data can increase costs and lower the quality of patient care.

OPPORTUNITIES

Traditional SWOT analysis views **opportunities** as significant new business initiatives available to a healthcare organization. Examples include collaboration among healthcare organizations through the development of healthcare delivery networks, increased funding for healthcare informatics, community partnering to develop new healthcare programs, and the introduction of clinical protocols to improve quality and efficiency. Integrated healthcare delivery networks have an opportunity to influence healthcare policy at the local, state, and national levels. They also have an opportunity to improve patient satisfaction by increasing public involvement and ensuring patient representation on boards and committees. Organizations that are successful at using data to improve clinical processes have lower costs and higher-quality patient care. For example, healthcare organizations with CMS Hospital Compare quality scores above the 90th national percentile are eligible for CMS pay-for-performance incentives. (See Chapter 6 for information on CMS Hospital Compare). The greater the number of organizations achieving such scores, the greater patients' access to quality healthcare. Such scores also enhance an organization's reputation in the community.

THREATS

Threats are factors that could negatively affect organizational performance. Examples include political or economic instability; increasing demand by patients and physicians for expensive medical technology that is not cost-effective; increasing state and federal budget deficits; a growing uninsured population; and increasing pressure to reduce healthcare costs.

FORCE FIELD ANALYSIS

Healthcare organizations' responsibility to implement change that is beneficial to the patient, staff, and organization is increasing. The primary areas driving change in healthcare include quality improvement, customer satisfaction, improvement of working conditions, and diversification of the healthcare workforce.

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Opportunities

significant new business initiatives available to a healthcare organization

Threats

factors that could negatively affect organizational performance

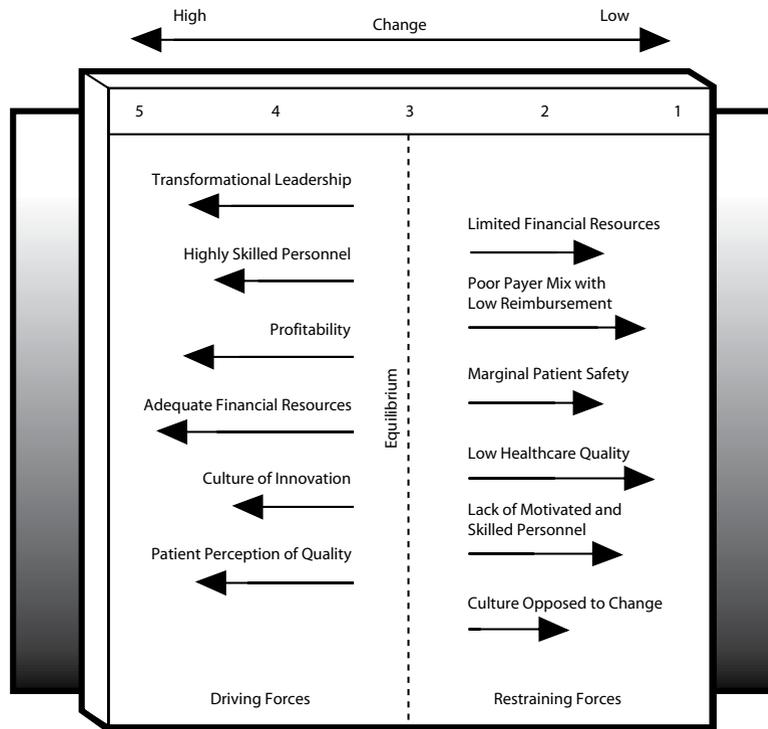


EXHIBIT 5.2
Healthcare Model
for Force Field
Analysis

Force field analysis (see Exhibit 5.2) takes SWOT analysis a step further by identifying the forces driving or hindering change—in other words, the forces driving its strengths, weaknesses, opportunities, and threats. Forces that propel an organization toward goal achievement are called *helping forces*, while those that block progress toward a goal are called *hindering forces*. After identifying these positive and negative forces, organizations can develop strategies to strengthen the positives and minimize the negatives. For an organization to achieve success, the driving forces must outweigh the resisting forces (Baulcomb 2003). When this state is reached, organizations are able to move from their current reality to a preferred future.

Effective force field analysis considers not only organizational values but also the needs, goals, ideals, and concerns of individual stakeholders. A case can be made that individuals who promote change are driving forces, whereas those who resist change are restraining forces. As a result, it is important to understand individuals, their attitudes, and the culture of the organization. It is also important to identify the key stakeholders in an issue and to develop a plan to gain their support. Kurt Lewin, the renowned psychologist often recognized as the founder of social psychology, stressed the importance of counteracting organizational inertia to maintain the status quo (the resisting forces) and creating

Force field analysis
an examination of the
forces driving or hin-
dering organizational
change

an environment that proactively supports future change (the driving forces) (Lewin 1951). Such change is accomplished by modifying current attitudes (“unfreezing” an organization’s perspective on a particular issue), emphasizing the positive aspects of change, and then incorporating the new attitudes in the organization’s processes (“refreezing” the new attitudes so that they and their associated behavior patterns become entrenched in the institution).

Many believe that a participative management style that solicits input from within the organization is important in implementing change. It also fosters the development of consensus within work groups, which helps to refreeze the new behaviors in the organization.

GAP ANALYSIS

To further refine planning decisions, SWOT analysis can be supplemented by gap analysis (see Chapter 4). Research shows there are significant gaps in healthcare practice and that these gaps cause providers to make inaccurate assessments of patients’ conditions and provide the wrong types of care. The result is poor clinical outcomes. Gaps in healthcare include lack of knowledge, lack of motivation, poor access to information, variations in patient culture and education, lack of resources, and system barriers that limit teamwork. In one study, Robert Fleetcroft, honorary senior lecturer in primary care for the School of Medicine at the University of East Anglia, and his colleagues used gap analysis to measure the quality of healthcare services at 8,407 medical practices in England. Their research found significant gaps in clinical practice, quality indicators, and patient satisfaction across a wide range of outcome measures. Their research was important because the United Kingdom provides pay-for-performance payments to providers based on these critical indicators. In many cases, performance gaps exceeded 25 percent, and there was evidence to support increased mortality as a result of poor performance among some of the outcome measures (Fleetcroft et al. 2008).

Gaps also exist between the public’s expectation of high-quality care and situations in which they receive low-quality healthcare. Characteristics of low-quality healthcare include lack of responsiveness, marginal competence, unreliability, weak communication skills, and breaches of confidentiality. Performance variations also result from trade-offs in the allocation of healthcare resources (Wicks and Chin 2008). For example, some healthcare organizations may lack the financial resources to purchase new equipment or hire additional staff when experiencing increased demand because they have allocated their resources for another purpose; as a result, patients experience excessive waiting times.

The complex nature of the healthcare industry necessitates a unified, systems approach to performance enhancement. For example, many patients receive only episodic care during periods of acute illness because they do not have a primary care physician. A system that requires patients to have a primary care provider would coordinate and give continuity to a patient’s healthcare services. Other recommended changes include the

implementation of evidence-based medicine in clinical processes (see Highlight 1.10), the creation of multidisciplinary healthcare teams, and the implementation of a continuous quality improvement process (Braithwaite et al. 2007).

SUMMARY

SWOT analysis is a precursor to the strategic planning process. Ideally, SWOT analysis includes a comprehensive review of the healthcare literature, in-depth data analysis, and input from a panel of SWOT analysis experts. Findings from the analysis are sorted into four categories: strengths, weaknesses, opportunities, and threats. Force field analysis supplements SWOT analysis by identifying the forces driving the strengths, weaknesses, opportunities, and threats. To refine these analyses even further, gap analysis may be performed to determine where deficiencies exist in an organization's delivery of care. Such analyses promote (1) a better understanding of barriers to change, innovation, and the transfer of knowledge to practice; (2) improved outcomes; and (3) more efficient allocation of healthcare resources.

REVIEW QUESTIONS

1. How does SWOT analysis set the stage for strategic planning?
2. Discuss the use of force field analysis in promoting change in a healthcare organization.
3. Provide examples of how gap analysis can be used to improve the quality of healthcare services.

COASTAL MEDICAL CENTER CASE: EXERCISE 5

Using the four steps of SWOT analysis discussed in Chapter 5, create a panel of experts and perform a SWOT analysis for Coastal Medical Center. Use SWOT analysis to identify key factors necessary to get Coastal Medical Center back on track and moving forward on a new road to success.