CHAPTER 1

STRATEGY AND STRATEGIC MANAGEMENT

Learning Objectives

After reading this chapter, you will

• comprehend that *strategy* has many definitions, and its meaning depends on one’s perspective;
• understand the role of strategy in moving a healthcare organization to achieve its goals, grow its business, and improve its performance;
• recognize the use of prospective and emergent strategies; and
• be aware that business strategies evolve over time as a result of changing circumstances and managerial modifications.

Key Terms

• Prospective strategy
• Emergent strategy
• Corporate-level strategy
• Business-level strategy
• Functional-level strategy

*Strategy*—integral to all businesses and life today—has different meanings to different people. Academics and consultants have suggested many diverse definitions. Some say that there is little agreement on its meaning in the business world and that it has been notoriously difficult to define (Steiner 1979; Murray, Knox, and Bernstein 1994). For some, strategy is developing a formal plan. For others, strategy involves crafting a process or means for outwitting a competitor. Yet others see strategy as a way of doing business, positioning an organization, and determining competitive differences from a prospective or an emergent viewpoint (Mintzberg, Ahlstrand, and Lampel 1998; Porter 1986). Strategy tends to be a bit of all of these perspectives in that it involves processes and end goals but also constant adaptation to
shifting conditions and circumstances in a world dominated by chance and uncertainty.

Throughout this text, the importance of strategic thinking and strategic decision making is discussed. At its foundation, strategy is about organizing information better to make better decisions. This text examines the fundamental components of strategy and methods for its implementation from both theoretical and practical perspectives. Theory is important to understanding strategy; as the great German general Carl von Clausewitz (1976, 141) stated, “Theory . . . becomes a guide to anyone who wants to learn about war from books; it will light his way, ease his progress, train his judgment, and help him avoid pitfalls.” However, theories can provide only so much guidance, as we live in a world of incomplete information and often limited knowledge of our competitors’ strategic intentions and purposes. Likewise, strategies frequently emerge from the unintended, almost accidental results of decisions, as our earlier decisions commonly restrict the path of our choices and impose policies and actions that leaders initially would not have chosen (Murray, Knox, and Bernstein 1994).

Theoretically, an organization’s established mission and vision should drive strategy formulation. The organization should first define what business it is in and what it wants to become and then establish goals, objectives, and tactics to achieve its mission and vision. This prospective approach is common to management-directed strategic planning. From this point of view, strategy establishes a path and direction toward an end state or outcome. In formal prospective planning processes, leaders often elaborately analyze the environment, set goals, and lay plans to achieve those aims. The strategic plan becomes management’s action plan for running its business and operations. A management-driven organization’s strategy addresses

• how management intends to grow the business;
• how the organization competes and collaborates with other organizations;
• how the functional components of the business relate and coordinate with each other;
• which services and programs the organization will emphasize and allocate greater resources to, relative to other projects; and
• what the relationships and culture among employees will be.

This book primarily takes this perspective and elaborates on methods for better understanding and articulating organizational influences, purpose, and direction. Strategy and strategic thinking are important for all types of organizations. This text applies general business strategies to healthcare and examines their application to this growing, critical field.
History of Strategy

Derived from *strategos*, the Greek word signifying the planning of a military campaign, *strategy* literally means “the art of the general.” The concept of strategy has been discussed for thousands of years, primarily with respect to aspects of war. Strategy was refined and articulated to further military purposes. Military campaigns encouraged the training of leaders to win battlefield conflicts. Millennia ago, generals recorded their experiences so that they could pass on their wisdom. Some of the first recorded strategy instruction originated in China during the period between 500 BCE and 700 CE and included significant treatises on warfare. The most familiar is Sun Tzu’s *Art of War*, which has become one of the most important books on military strategy (Sawyer 2007). Sun Tzu taught the importance of positioning in military strategy—establishing objectives based on environmental conditions and the subjective beliefs of one’s opponents.

Centuries later in the Mediterranean, modern military strategy developed under such leaders as Philip II (382–336 BC), Alexander the Great (356–323 BC) of Macedonia, and Hannibal (247–183 BC) of Carthage. Philip II demonstrated how infantry, cavalry, engineers, and primitive artillery could be combined into a trained, organized, and maneuverable fighting force. Later, Philip II’s son Alexander and the great Carthage general Hannibal advanced military strategy by organizing open communication and supply lines, surprise tactics, better use of cavalry, and unity of command (Van Der Merwe 2002).

In 70 AD, Sextus Julius Frontinus, the Roman governor of Britain who subdued the hostile tribes in Wales, wrote a theoretical treatise on military science called *Stratagems*, which included a collection of examples of military strategies from Greek and Roman history. *Stratagems* did not exclusively denote acts of military ingenuity for the ancient Greeks and Romans but significantly involved a unique pattern of intellectual behavior (Wheeler 1988).

The notion that strategy applied mostly to military warfare endured until the advent of the Industrial Revolution, when companies grew to a size that warranted more coordination and direction. In the early twentieth century, the need for explicit strategy was highlighted by executives at large companies, such as Alfred Sloan of General Motors and Chester Barnard of New Jersey Bell, who wrote about how to better organize and lead (Barnard 1968; Ghemawat 2001; Sloan 1963).

Today, strategy and strategic management are widely accepted. Courses about strategy are core in business schools, and strategic management is an integral part of leadership training. Teaching strategy can be a difficult task, involving both instruction on how to craft future-directed plans and, at the
same time, development of intuitive insight and the ability to learn, adapt, and change (Burns 2002).

**Strategy in Healthcare Today**

The concept and importance of strategy expanded to healthcare in the 1970s. One factor motivating this expansion was the conversion of many hospitals and insurance companies, including health maintenance organizations (HMOs), from not-for-profit to for-profit status. This change in ownership increased the level of competition among healthcare organizations.

Stimulated by governmental encouragement and incentives, many national for-profit hospital companies, including Humana, Hospital Corporation of America, National Medical International, and American Medical International, aggressively sought to acquire hospitals across the country. These acquisitions dramatically changed the nature and behavior of local hospitals. Private, for-profit hospitals accounted for only 6.3 percent of US hospitals in 1975 (Gray 1986). As corporations formed extensive hospital chains, this percentage increased and competition grew; today, private, for-profit hospitals account for about 20 percent of US hospitals (Selvam 2012). Likewise, the percentage of for-profit HMOs grew from 18 percent in 1981 to 71 percent in 1995 (Weisbrod 2000). As for-profit healthcare organizations became more prevalent, the level of rivalry also increased among not-for-profit hospitals and insurance companies, and more competitive strategies were adopted across the United States.

Some maintain that there should be no difference in the application of strategic principles between the healthcare field and other industries. While the general principles and techniques discussed in this book are relevant to healthcare, the field is distinct from many other industries and a much higher percentage of its organizations are created for community or public benefit (often referred to as not-for-profit organizations). This difference in purpose or strategic intent does not lessen the importance of applying strategy and its principles but should motivate a greater cooperative strategy among organizations created for public benefit.

As shown in Exhibit 1.1, the purpose and mission of a healthcare organization should influence the emphasis it places on competitive versus collaborative strategies. Competition involves the effort of two or more parties seeking the rewards of a certain fixed contest. For example, a race or sports event may involve two or more teams that seek to win the contest. Likewise, companies submit bids for construction or other contracts, and only one contractor “wins” the job. As the story in Exhibit 1.2 explains, competition involves outperforming one’s competitor, which sometimes creates negative
A common competitive strategy is to draw market share away from competitors and, if possible, drive competitors out of the market. As a result, the community’s access to products and services constricts and costs often increase.

Cooperative strategies, on the other hand, build on synergies and community good. As discussed in Chapters 4 and 5, many healthcare organizations are now seeking to collaborate through cooperative strategies. Cooperation better utilizes community resources by reducing duplication and allows separate organizations to contribute their best competencies to achieving strategic goals.

Organizations’ emphasis on competition and cooperation varies. Drug, medical equipment, and for-profit hospital companies typically demonstrate much more competitive strategies, while healthcare organizations working for greater public benefit, such as public health clinics and Veterans Administration (VA) medical centers, use more collaborative strategies. Community
hospitals, especially those in markets that include for-profit organizations, often adopt a more mixed strategy of competition and collaboration.

**Why Study Healthcare Strategy and Strategic Management?**

Healthcare leaders are hired to make decisions. Strategy and strategic management provide a solid framework for better decision making. Leaders ultimately have the responsibility and authority to act. As former US president George W. Bush stated about his role, “I’m the decider, and I decide what is best” (Mason 2006). Strategy and strategic management help leaders be mindful of the key, critical facts they need to consider to be better deciders. They must understand the purpose or, as is often the case, the mixed purposes of their organization and internal and external conditions, and they are charged with creating and implementing a strategic framework to accomplish the organization’s purpose(s).

Leaders who think strategically allocate resources and minimize threats more effectively so that their organizations sustain mission advantage and perform better. Such thinking motivates leaders to proactively shape and craft the organization’s business and informs its delivery. It is the road map and game plan for success. Unlike many other strategy texts, this book demonstrates that good strategy is only part of a successful equation. Good implementation must be added to good strategy to achieve excellent strategic outcomes. Both the creation and implementation of strategy are core functions of healthcare leaders.

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\text{Good strategy + Good strategy implementation = Excellent strategic outcomes.}
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The importance of strategy in healthcare also is increasing because of the demands on this field and the great change occurring in it. Change in healthcare is now driven by advancing technologies, demographic shifts, political pressures, and global forces that directly affect the cost, access, and quality of healthcare. As these changes unfold, healthcare organizations require new, innovative strategies and must make better strategic decisions. The following discussion highlights some of these changes and some strategies that have arisen as a result.

**Healthcare Technology**

Healthcare technology, especially diagnostic tools and pharmaceuticals, has advanced rapidly in the past century. Radiological equipment, including
computed tomography, magnetic resonance imaging, positron emission tomography, and ultrasound, has opened new diagnostic avenues. Advances in molecular imaging may soon enable physicians to detect disease at the cellular level. Radiologists’ work has evolved from just reading X-rays to performing interventional procedures, operating outpatient facilities, and treating diseases that previously required major surgery. Some hospitals and physician groups have reacted strategically by establishing centers for interventional radiology to compete with physician specialists, such as surgeons and cardiologists, who have traditionally provided these services.

Prescription drugs contribute greatly to health and the cost of healthcare. About 90 percent of people over age 65 in the United States use prescription drugs (AHRQ 2007). Because patents are time limited (the patents for six of the ten most widely used prescription drugs expired in 2011 and 2012), pharmaceutical companies’ survival is tied directly to continuous research, discovery, and innovation. In 2009, the major pharmaceutical companies spent more than $65 billion on research (Tauzin 2010). In response to the changing environment—including declining drug discovery success rates, expiration of blockbuster drug patents, and the subsequent rise of cheaper alternatives—drug companies have shifted their efforts toward greater consumer marketing and research on biotech and therapeutic specialties, focusing on specific disease areas and populations (Anonymous 2005; Slako 2007).

Advances in genomics and genetics may also transform much of medicine in the future. Developments in gene testing, gene therapy, and pharmacogenomics are predicted to have profound impacts on healthcare in the coming decades.

**Demographic Shifts**

Demographic shifts occurring across the world are affecting the healthcare delivery system. Demographics include population size, age structure, geographic distribution, racial/ethnic mix, and income level (Fahey and Narayanan 1986). Birthrates are falling in most countries, and their populations are aging rapidly. While lower overall, birthrates remain higher among minority populations, and minority youth segments of the population are growing (Roberts 2010). This increasing diversity is driving greater strategy variation and is forcing healthcare organizations to be agile and adapt to the cultural and demographic needs of their constituents. Culture, race, ethnicity, and primary language have been shown to be associated with access-to-care issues and compliance with prevention and treatment of disease. Strategies supporting culturally sensitive, linguistically appropriate care should be emphasized to ensure equity and quality across patient groups. Professional organizations
such as the American Hospital Association have encouraged their members to take the lead in addressing these needs (AHA 2010).

The demographic trends in the United States clearly affect the demand for healthcare services. The US population is getting older as well as more racially, ethnically, and geographically diverse. More than a quarter of the US population will be older than age 60 by the year 2050, and a large proportion of this demographic group will have multiple chronic diseases. These changes are creating significant challenges for healthcare planning in the United States, including deficits in geriatric care, fulfillment of ethnic needs, and treatment of chronic disease (Shrestha and Heisler 2011). Globally, the number of people over age 60 is projected to grow by 1.2 billion by the year 2050, whereas the number of children under age 5 is expected to decrease by 49 million (Longman 2010).

Political Forces
Political forces have a significant impact on healthcare. Legislation can substantially shift money, power, and regulation. Legislative bodies across the world continue to struggle to design laws that will curb the cost of healthcare while improving quality and access.

The Patient Protection and Affordable Care Act signed into law by President Obama on March 23, 2010, triggered a seismic shift in the healthcare provider and payer communities with regard to organizational structure and operational workflows. The law provides greater drug coverage for seniors, diminishes denial of insurance for preexisting conditions, mandates greater coverage of preventive services, and changes the mechanisms of provider payment.

One addition that has the potential to dramatically affect the healthcare field is the creation of accountable care organizations (ACOs). ACOs are structured to reduce costs and improve the quality of care and patient satisfaction by aligning providers’ economic incentives through capitated payments and increased reimbursement for providers who achieve benchmark standards. Participating providers should strategically shift at least a portion of their business from providing sick care to managing diseases and population health (Calhoun 2011; Mulvany 2011).

Global Forces
Global forces impact all aspects of our lives today. Competition has broadened to include global players in healthcare. Patients increasingly are turning to new global alternatives to meet their healthcare needs, such as purchasing medications from other countries and seeking care abroad. Medical tourism is increasing steadily as US residents and others go to South America and Asia for surgeries and procedures that are more costly in their home country.
Changes in the global healthcare market and politics are also affecting the number of foreign nationals who come to the United States for healthcare. For decades, the United States has attracted medical tourists because of the perception that it delivers the best healthcare in the world. In 2008, more than 400,000 non-US residents sought healthcare services in the United States, accounting for almost $5 billion in revenues and about 2 percent of total healthcare services rendered that year. As global providers improve the quality of their care, this influx of patients may decline. The number of foreign patients coming to the United States has already fallen substantially since 2001, and by 2017 as many as 23 million US residents could be traveling abroad for care and spending almost $79 billion for services provided at international locations (Deloitte and Touche 2009; Lee and Davis 2009).

**Prospective and Emergent Strategies**

Most large organizations engage in some type of planning process to analyze and design means to prospectively address the aforementioned issues and produce some form of written document to guide their future decisions. This forward planning is called *prospective strategy*.

A retrospective analysis of strategy, on the other hand, looks backward to see what actually happened. Constant experimentation and adaptation to new market conditions produce patterns that can be identified retrospectively as *realized*, or *emergent*, strategy. Most organizations’ strategy evolves incrementally over time, even in organizations that do prospective planning. This process also helps organizations understand their competitors’ strategies. Chapters 2 and 7 discuss how understanding competitors’ strategies contributes to an environmental analysis and to developing and forming more effective organizational strategies and tactics. Plans are often modified, and the end results are sometimes very different from those anticipated. Established strategies may be abandoned, or new initiatives may be introduced. Furthermore, a retrospective analysis can help organizations better understand the effects of environmental factors and is important during times of upheaval and in industries subject to significant uncertainty and change.

Both prospective and emergent views have merit; all strategy has both planned and unplanned components (Moncrieff 1999). Prospective strategy is more important in settings where greater environmental pressures and rapid changes occur because these factors cause realized strategy to differ much more from that intended. These modifications may result from random choices, luck, the cognition of executives, or incremental decisions made by internal or external stakeholders. Scholars suggest that both deliberate action and nonlinear thought are needed for an organization to establish routines
and processes while maintaining flexibility and ability to adapt (Burns 2002; Ghoshal and Bartlett 1995; Mintzberg et al. 1998).

As shown in Exhibit 1.3, prospective strategy can help to align an organization’s actions with its mission and vision so that (hopefully) it will produce more relevant, appropriate outcomes. Likewise, prospective strategy enables organizations to predict resource needs, identify and plan for major capital expenditures, recruit personnel, and attract other resources.

Planning for the future is a critical function of leaders. Healthcare organizations, such as pharmaceutical companies and hospitals, frequently invest millions in strategic projects involving buildings, equipment, and new hires that may take three to five years of development and effort before the new services or programs are operational. Critical resources must be prospectively identified and accumulated so that they are available when needed. Likewise, prospective plans provide direction for proper resource allocation. Understanding what the future should look like allows leaders to set aside appropriate capital and personnel prospectively for their strategic efforts. Additionally, as Porter (1996) suggests, strategy directs an organization to choose a set of activities that will deliver a unique set of results. This prospective role actively guides an organization to differentiate itself to gain and maintain competitive advantage.

On the other hand, as Winston Churchill (1931, 6) once stated, “There is always more error than design in human affairs.” An emergent view of strategy acknowledges that prospective plans are often not translated into action, and designs frequently contain errors that prevent implementation. Many organizations do not begin with a defined strategy; as in Ben and Jerry’s case (see Exhibit 1.4), their strategy and market position emerge through trial and error. Looking back, organizations can see how their strategy formed and understand the actions that created it.

An emergent perspective allows an organization to view its competitors’ patterns of action and better understand their strategies. As discussed in Chapter 2, knowing competitors’ strategies helps an organization predict how they may react to its strategic moves and better informs its prospective

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<th>Prospective Strategy</th>
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<td>Align actions with mission/vision</td>
<td>Understand competitor’s strategy</td>
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<td>Predict resource needs</td>
<td>Evaluate own strategy</td>
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<td>Allocate capital and personnel to</td>
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strategy. An organization may gather much more strategic information by observing its competitors’ behavior and actions than it would by reading their written plans. Examining one’s own strategy retrospectively is critical to learning from organizational successes and failures and providing feedback for future plans.

Strategy in many industries is emergent by nature; many avenues must be tried before a successful strategic direction is found. For example, in the past, pharmaceutical companies continuously searched for the next new blockbuster drug, and their discoveries drove their strategy. Chemical-driven experimentation dominated drug research. They tested hundreds of chemicals before finding one that might be effective for treating a disease. Today, their strategy is more prospective. Much of today’s biomedical drug discovery is a process of first understanding how genes and proteins interact for a specific disease and then choosing a drug molecule to test on the disease. By using genomic markers to predict drug response, pharmacogenomics researchers can lower the cost of drug development and shorten drug development times (Cook, Hunter, and Vernon 2009).

Thus, organizations prospectively plan deliberate strategies and also realize emergent strategies retrospectively. Implementation of deliberate and emergent strategy may be influenced by many factors, including those shown in Exhibit 1.5. Factors that influence the type of strategy an organization adopts include level of certainty, speed of change, degree of proactivity, clar-

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EXHIBIT 1.4
Ben & Jerry’s Emergent Strategy

An excellent example of an emergent strategy is the creation of the ice cream giant Ben & Jerry’s. As two young adults, Ben Cohen and Jerry Greenfield wanted to create a business that would provide enjoyment and adequate income. At first they wanted to go into the bagel business, but they found that the equipment was too expensive—about $40,000. Therefore, they migrated to the ice cream business, which required a lesser capital investment. Although they created a business plan, they experimented with many ideas before finding success. Initially, they failed at obtaining a small business loan of $20,000. They opened a “scoop shop” in Vermont that sold not only ice cream but also soups, brownies, sea scallops, and mushroom crepes. Within the first couple of years they almost went broke as a result of “overscooping” (providing too much ice cream per scoop) and slow sales of many of their other products. They tried hundreds of flavors of ice cream, mixing them at first in an old-fashioned rock salt ice cream maker that made only four-and-a-half gallons at a time. Some flavors were popular, but others—such as lemon peppermint carob chip and honey apple raisin Oreo—were terrible failures. By 1979, their walk-in ice cream shop and wholesale delivery business were a bust. At this point, they tried packaging their ice cream in pint containers and selling it to mom-and-pop stores and supermarkets. By focusing on selling ice cream to retailers, they gained national attention and ultimately their current success (Larger 1994).
ity of mission, and time perspective. As Exhibit 1.5 indicates, the greater the environmental uncertainty and change, the less clear the purpose or mission of the organization, and the shorter the time perspective, the more likely an organization will function from an emergent strategy.

### Levels of Strategy

Strategy is also accomplished at different levels in an organization. In today’s world full of corporations, strategy is often divided into corporate-, business-, and functional-level strategies. Most organizations—when they attain a large enough mass—create corporate structures with strategic business unit (SBU) subcomponents. As shown in Exhibit 1.6, the corporate level—which consists of top executives, corporate staff, and generally a board of directors—is the apex of decision making in an organization. This corporate structure oversees the strategy for the complete organization. However, as discussed
in Chapter 12, the primary function of corporate strategy is to define the mission and overall strategic goals of the organization, allocate capital funds to the different SBUs, and decide which businesses to enter or exit.

For example, Merck & Co., Inc., is one of the largest pharmaceutical companies in the world and has robust corporate and SBU strategic planning and management. As shown in the organizational chart in Exhibit 1.7, Merck’s corporate structure in 2012 consisted of five large divisions: Manufacturing, Animal Health, Research Laboratories, Global Human Health, and Consumer Care. At this level in the organization, the executives consider major acquisitions and divestiture. For an illustration of the types of decisions made by corporate executives, Merck acquired Schering-Plough, another large pharmaceutical company, for $41 billion in 2009 to create a more diverse portfolio of products and accelerate Merck’s international growth (AFP 2009). This acquisition was conceptualized, organized, and driven by corporate-level strategy. Likewise, Merck’s mission and vision drive and derive from its corporate strategy (Merck 2013a):

**Our vision** is to make a difference in the lives of people globally through our innovative medicines, vaccines, biologic therapies, consumer health and animal products. We aspire to be the best healthcare company in the world and are dedicated to providing leading innovations and solutions for tomorrow.

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**EXHIBIT 1.7**

Merck & Co., Inc., Corporate Structure, 2012

Source: Merck (2013b).
We have made it our mission to provide innovative, distinctive products and services that save and improve lives [and] satisfy customer needs and to be recognized as a great place to work. (Merck 2013a)

However, Merck’s SBUs’ business-level strategies focus on specific product lines, as demonstrated by the Merck Animal Health business unit (Exhibit 1.8). At the SBU level, strategy focuses on more specific development projects, such as animal vaccines, pharmaceuticals, and diagnostics. Managers at this level usually are given the latitude to develop the best strategies for their areas of responsibility as long as those strategies fit within their corporate directives. Managers translate general statements of direction and intent from the corporate level into concrete strategies for their individual businesses. Thus, while corporate strategy spans multiple businesses, business-level strategy focuses on a defined, specific business under the umbrella of corporate direction.

The functional level is the operating division, department, or project level. Here is where the “rubber meets the road” and the implementation of plans succeeds or fails. Functional-level strategy must support the business and corporate strategies. Strategies at this level may be driven by product or service line. For example, Merck’s Animal Health business unit (see Exhibit 1.8) has a product-driven functional strategy that integrates research, marketing, production, and distribution to successfully sell its products. Hospitals may establish service line–driven functional strategies to promote its areas of specialty, such as oncology, cardiology, and obstetrics.

Each level’s strategies must be aligned with those of the other two. Misaligned plans may contradict the others’ efforts and fail. Corporate strategies should cascade down the organization and be reflected in the lower levels’ strategies and actions.

EXHIBIT 1.8
Merck & Co., Inc., Animal Health Division (SBU level), 2012

Source: Merck (2013c).
Text Overview

As shown in Exhibit 1.9, this text explores in depth the concepts and tools needed to think strategically and develop and implement a strategic plan. Chapters 2 through 5 focus on strategy concepts; the remainder of the book seeks to answer the following questions:

- What is the purpose of the organization? (Chapter 6)
- How well is the organization achieving its purpose? (Chapters 7, 8, and 9)
- What plans should the organization make to better achieve its purpose? (Chapters 10 and 11)
- How should the organization act to better implement its strategies? (Chapters 12, 13, and 14)

### Core Concepts of Strategy (Chapters 2 through 5)
- Market structure
- Business models
- Generic and specialized strategies
- Growth strategies
- Strategic alliances

### What Is the Purpose of the Organization? (Chapter 6)
- Stakeholders
- Values
- Mission
- Vision

### How Well Is the Organization Achieving Its Purpose? (Chapters 7, 8, and 9)
- External environmental analyses
- Internal environmental analyses
- Financial analyses

### What Plans Should the Organization Make to Better Achieve Its Purpose? (Chapters 10 and 11)
- Creation of strategic plans
- Creation of goals and objectives
- Creation of project charters
- Creation of marketing plans
- Creation of business plans

### How Should the Organization Act to Better Implement Its Strategies? (Chapters 12, 13, and 14)
- Proper organizational structure
- Strategic change management
- Strategic thinking and strategic management

### How Can the Organization Tell if Its Strategies Are Having the Desired Effects? (Chapter 15)
- Engaging the right people
- Monitoring strategic efforts
- Gantt charts
- Strategy’s interface with budgets
How can the organization tell if its strategies are having the desired effects? (Chapter 15)

Building on the critical concepts presented in Chapters 2 through 5, the text examines the process of creating and maintaining strategies. Good strategy development begins with an understanding of why an organization exists and where it wants to go. Chapter 6 explores how stakeholders and executives formulate an organization’s strategic intent, including its values, mission, and vision. Next, an organization must look at its environment to understand the challenges it must overcome to achieve its strategic intent. Chapters 7 and 8 describe methods of analyzing the external and internal environments, and Chapter 9 provides critical tools for strategic financial analyses.

The book then shifts to the question of how organizations create strategic plans to better achieve their strategic intent. Chapter 10 explains how to engage key stakeholders in the planning process and outlines the structure and creation of strategic planning documents, including project charters and marketing plans. Chapter 11 discusses the use and creation of business plans. Chapters 12, 13, and 14 examine the organizational structure, change management, and strategic thinking critical to implementing strategy successfully. Chapter 15 concludes the text with a discussion on means of implementing and evaluating the strategic effort.

“The better conceived a company’s strategy and the more competently it is executed, the more likely that company will be a standout performer in the marketplace” (Thompson, Strickland, and Gamble 2010, 17).

Chapter Questions

1. What is a prospective strategy?
2. What is an emergent strategy?
3. Why is it important to understand the difference between prospective and emergent strategies?
4. Why is there an imperfect match-up between prospective and emergent strategies?
5. What might interfere with the realization of a prospective strategy?
6. How might you manage the balance between design and emergence strategizing processes in an organization?
7. What are the major factors that distinguish levels of strategies in an organization?

**Chapter Case**

Read “The Virulent Virus” in the cases section at the end of this book. Create teams of three to four students. Each team should reach a consensus and recommend a decision. This case encourages teams to explore risk preferences, environmental pressures, and differences in decision making and is an excellent activity for the first day of class.

**Chapter Assignment**

After reading Chapter 1, read the 1996 article by Michael Porter titled “What Is Strategy?” from *Harvard Business Review*, volume 74, issue 6, pages 61–79. After reading these materials and discussing them in class, write a one-page (single-spaced) paper on what strategy is to you and provide three examples of different types of strategies exhibited by healthcare organizations.