

Georgia Association of Healthcare Executives
ACHE Board of Governors Examination Tutorial

Business

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Original Presentation
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What do I need to know?

- Business questions are 9% of total questions; i.e., 18 questions.
- Knowledge of...
 - strategic planning principles
 - marketing principles and tools
 - techniques for business plan development, implementation and assessment
 - principles of public affairs and community relations
 - functions of organizational policies and procedures
 - socioeconomic environment in which the organizations function
 - basic business contracts

It's all related

Strategic planning, marketing,
and *business plan development*
should be interrelated for
strategic management.

Strategic Planning

- *purpose of planning* is to optimize the organization's future exchange relationships
- always market-oriented, or community-oriented, and proactive
- four-phase process of assessment, plan development, implementation and evaluation.

Strategic Planning Phase I- Assessment

- Vision, mission and values
- Market research (demographics, health statistics, customer demand and expectations, stakeholder expectations, competition, market share, technology, uncertainties, and risks).
- Internal SWOT analysis
- Financial position

Strategic Planning Phase II – Plan Development

- Plan development is usually an annual plan revision.
- An *iterative* process by top management lead by the CEO.
- Decisions about *strategic responses* and *programmatic responses*.
- Specific *goals*, *objectives*, *measures* and *timelines*.
- Prioritizes resource allocation.

Phase II– Plan Development (cont'd)

- The strategic plan is *comprehensive* and includes:
 - Mission and vision
 - Environmental descriptions and forecasts
 - Service plans
 - Long-range financial plan
 - Facilities plan
 - Human resources plan
 - Medical staff plan
 - Information services plan

Strategic Planning Phase III- Implementation

- Action plan to assign responsibility and accountability .
- Alignment of systems to support successful implementation.
- Departmental operational plans/business plans developed to achieve goals and objectives.

Strategic Planning Phase IV- Evaluation

- Evaluation of performance against the plan
- Identify variations in performance (+/-) and determine the cause.
- Make adjustments to improve performance when needed.
- Learn from failures and successes.

Marketing

- Marketing is integral to both strategic planning and business plan development.
- Marketing addresses
 - **product** (or service),
 - **place**,
 - **price** and
 - **promotion**.

Marketing - Product

Market Research:

what services may be provided comes from an analysis of existing or potential customers, determining customer needs and wants, and purchasing behavior.

Marketing - Place

Decisions must be made about **where and in what settings services are provided** to ensure they are accessible and most likely to be used by customers (e.g., hospital-based, clinic-based, community outreach, etc.)

Marketing – Price

- services should be **priced to be financially viable whenever possible** (*breakeven analysis and cost-benefit analysis*)
- **overall pricing** of services and **resulting income must exceed the cost of services** (*cross subsidization*)
- Pricing **potential is best** in those services **where patients are willing to use discretionary income to pay** (*demand-oriented pricing*)

Marketing - Promotion

Promotion is a process of communicating to customers and prospective customers about your organization and its services using a variety of promotional tools that can be grouped as:

- Advertising
- Sales promotion
- Personal selling
- Publicity

Marketing – Promotion (cont'd)

- *Advertising*- non-personal forms of communication conducted through paid media.
- *Sales promotion*- tactical, short term incentives designed to stimulate target market response.
- *Personal selling*- oral presentation with one or more prospective purchasers.
- *Publicity*- planting commercially significant news about the organization or its services in a published media or on radio or television that is not paid for by the sponsor.

Marketing – Promotion (cont'd)

Media Selection

Medium	Advantages	Limitations
<i>On line (e.g., web, social media)</i>	Flexibility; timeliness; good market coverage; broad acceptance; can tie to social media	Requires ongoing maintenance & update; may not reach older generation
<i>Television</i>	Combines sight, sound and motion; appealing to the senses; high attention; high reach	High absolute cost; high clutter; fleeting exposure; less audience selectivity
<i>Direct mail</i>	Audience selectivity; flexibility; personalization	Relatively high cost; "junk mail" image
<i>Radio</i>	Mass use; high geographic and demographic selectivity; low cost	Audio only; lower attention than TV; fleeting exposure
<i>Magazines</i>	High geographic and demographic selectivity; credibility and prestige; high-quality reproduction; long life; good "pass along" readership	Long ad purchase lead time; some waste circulation; no guarantee of position
<i>Outdoor</i>	Flexibility; high repeat exposure; low cost	No audience selectivity; creative limitations

Marketing - Budget

How much to spend on marketing?

- *Historical method*
- *Affordable method*
- *Percentage of sales method*
- *Competitive-based method*
- *Objective and task method*
- *Sales response optimization method*

Marketing – Product Life Cycle

- *Introduction*: Advertising and promotion are important, particularly sales promotion.
- *Growth*: Word-of-mouth supplements promotion. Continue promotion to build market share.
- *Maturity*: Intensified promotion to meet competition and advertise new product uses and features.
- *Decline*: Reduce promotion costs to improve profit margin.

Marketing – Consumer Adoption Process

- *The process by which potential customers come to **learn** about a new product or service, **try** it, and eventually **adopt** it or reject it.*
- *Stages: Awareness, Interest, Evaluation, Trial, and Adoption.*
- *Adopter classifications: Innovators (2.5%), Early Adopters (13.5%), Early Majority (34%), Late Majority (34%), Laggards (16%)*

Business Plans

- Business plans are detailed operational plans that are **developed to achieve the strategic goals and objectives**.
- The plan addresses the *what, who, when, where* and *how* questions.
- Expected service delivery and financial **targets** are estimated in terms of *best, worst, and most likely cases*.
- Methods for **measuring the outcomes of the project are designed in the plan** (volumes, quality, cost, revenues, margin, etc.)

Business Plans (cont'd)

- Description of the project
- Situation assessment
- Target markets
- Objectives
- Specific steps needed to accomplish the project
- Timeline
- Pro forma and financial analysis
- Evaluation component that shows how the outcome of the project will be measured

Public & Community Relations

- Public *perception is reality*.
- Good public relations successfully communicates a positive public perception.
- *Credibility* is key in public and community relations.
- Public and community relations should be *proactive* not reactive.
- Public relations *process*.

Public Relations Process

- Identifying the organization's relevant publics.
- Measuring images and attitudes of the relevant publics toward the organization.
- Establishing image and attitude goals for the key publics.
- Develop cost-effective public relations strategies.
- Implement actions and evaluate results.

Public & Community Relations - Functions

1. **Focus on personal interaction** (improving the day-to-day interactions between patients and caregivers) *internal*
2. **Enhance employee morale** – paying attention to job satisfaction issues so that employees have a positive attitude about their jobs that, in turn is conveyed to patients *internal*
3. **Connect with the community** *external*
4. **Work with the media** *external*

Policies & Procedures

- Policies are an **expression of the desired culture** of the organization and procedures guide behaviors consistent with that culture.
- Policies and procedures should **support the vision, mission and values** of the organization.
- Policies **communicate to employees, customers, and other stakeholders what they can expect from the organization.**
- Standard procedures **help ensure consistent performance and quality** while reducing opportunity for error.

Policies & Procedures (cont'd)

- Policies – intended to help organizations reach their objectives.
- **General policies** – apply to the entire organization.
- **Operational policies** – pertain to a specific unit, department or service.
- **Procedures** – define specific actions for organizational members; usually define a standard sequence of steps to complete a task.

Policies & Procedures (cont'd)

Good Policies & Procedures

- Consistent with larger organizational objectives
- Impact is well thought out before they are formalized
- Flexible and can be applied in typical as well as unique situations
- Ethical and legal, and reflect the values of the organization
- Clear and understood
- Consistent with each other

Business Contracts

Definitions of a Contract

- A written or spoken agreement, especially one concerning employment, sales, or tenancy, that is intended to be enforceable by law. (Oxford Dictionary)
- An agreement creating obligations enforceable by law. (Wex Legal Dictionary)
- A contract is a legally binding or valid agreement between two parties. (The Law Handbook)

Business Contracts (cont'd)

- Governing Contract Law
 - Contracts are usually governed and enforced by the laws of the state where the agreement was made.
 - A contract may be governed by one of two types of state law; common law and the Uniform Commercial Code (UCC). Common law usually applies to contracts such as employment agreements, leases, and general business agreements. The UCC applies to the sale of goods.
 - Contracts will usually have a clause stating, “This Agreement shall be governed by the laws of the State of [name of state].”

Business Contracts (cont'd)

- Elements of a Contract
 - Competent Parties
 - Consideration
 - Offer and Acceptance
 - Duty to Perform
 - Legal Purpose
 - Mutual Agreement or Assent

Business Contracts (cont'd)

- Breach of Duty

- A breach of a contract occurs when one of the parties fails to perform one or more of the responsibilities agreed to in the contract.

- Remedies for Breach of Duty

- *Damages* – expectation damages, consequential damages, and punitive damages.
- *Reliance interest* - expenses spent in reliance on the contract going through as promised .
- *Specific performance* - court order to do what was promised under the contract.
- *Rescission* - the whole contract can be set aside, and the parties will be returned to the position they were before they entered into the agreement.

Business Contracts (cont'd)

- Venues for Resolving Contract Disputes
 - Negotiation
 - Alternative Dispute Resolution – mediation or arbitration
 - Litigation

Questions?