

CHAPTER 2

Understanding the Strategic, Business, and Marketing Planning Process

WHAT YOU WILL LEARN

- The strategic plan and a market-based business plan are different.
- Confusion exists between the role of planning and the role of marketing.
- The differences between a market-based approach and a nonmarket-based approach are subtle but important.

Resolving the Confusion: Relating the Strategic Plan to the Business Plan and to the Marketing Plan

Planning an organization's activities is a complex process that involves many steps: setting goals, identifying objectives, describing tasks, forecasting demand, setting quotas, monitoring performance, and budgeting. The necessary types of planning activities include strategic planning, business planning, and marketing planning. Distinguishing all these activities can be confusing in theory and in practice. As Rumelt says, "Many bad strategies are just statements of desire rather than plans for overcoming obstacles. Strategic options are 'bad' when they fail to address critical issues or when they are impracticable."[1] The planning process involves two plans—a strategic plan that is designed to have a longer term and a business plan that is shorter in term and more detailed. The marketing plan is contained within the business plan. In this chapter, we look at how the pieces of this puzzle fit together.

Strategic Plan

The strategic plan has a longer term; it can last 3–5 years and possibly even longer, with the time frame dependent on the condition of the entity and the complexity of the proposed vision. Once a new strategic plan has been approved, it could become a "rolling plan," which means that every year the plan moves forward, it is adjusted, as needed, and reset. In effect, if the plan is a 5-year strategy, as the organization moves from one year to the next, the strategic plan constantly rolls forward another year, assuming that there are no radical changes in market conditions. The mission and vision of the business are found within the strategic plan, which is the important differentiation from the business plan. The role of the strategic plan is to address the environment and its changes, seek or refine the competitive advantage, identify new opportunities, anticipate change, set a clear picture for the future, and determine whether the organization is on course. **FIGURE 2.1** provides a general idea about the strategic planning.

Often, the rational strategy retreats are not so rational. Many times, strategic plans are bold and exciting, but built for show and not achievement. They are often filled with catch phrases and industry jargon. These types of strategies are built on hope and slogans with a lack of honest assessment of the organization's abilities, skills, and reality of market conditions.

Developing strategy is not a smooth process. In reality, it often looks like **FIGURE 2.2**. The strategic process uses much of the data and intelligence from the business plan, and the business plan clearly uses the direction set by the strategic plan. The fundamental difference between the two is the longer term and more visionary nature of the strategic plan versus the shorter term and more tactical nature of the business plan.

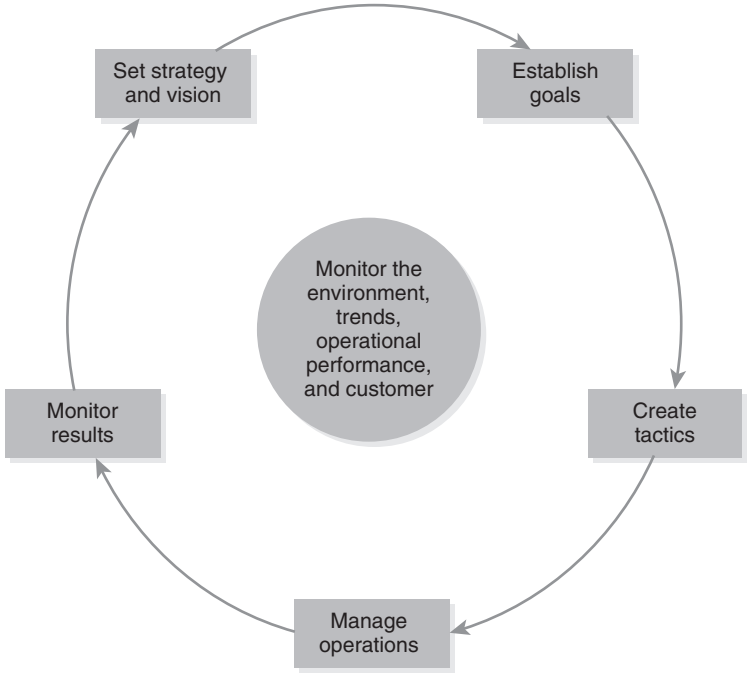


FIGURE 2.1 Rational Planning Model

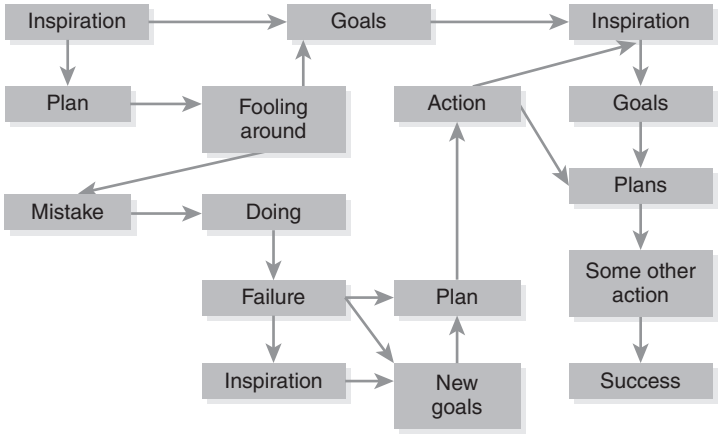


FIGURE 2.2 How Strategy Development Really Works



FIGURE 2.3 Relationship Between the Strategic Plan and the Business Plan

When the strategic plan is completed, it will have a list of goals and action steps that will typically be assigned to members of the management team. Many of these goals and steps will have long-term implications and are often not directly related to the company's day-to-day business. For example, a strategic initiative might be to consummate a merger with another clinical entity, and those discussions might take 2 years. In the meantime, the clinical business must operate day in and day out. The business plan is designed to facilitate the ongoing, successful, and immediate operation of the company, while the strategic plan is designed to be more future oriented. **FIGURE 2.3** shows the relationship between the strategic plan and the business plan.

At a minimum, the strategic plan provides guidance to the business plan. For example, if the strategic plan suggests that the company will concentrate on clinical resources at one site within 5 years, then the business plan would not spend market research funds aimed at creating an owned network of small regional sites. Or, if the strategic plan calls for cutting back on rehabilitation services, then the marketing and business plans would not involve opening a new physical therapy center.

Business Plan

In contrast to the strategic plan, a business plan is the year-by-year tactical execution of the overall organizational strategy. Each operating unit of an organization is responsible for producing annually its own distinct business plan, which should incorporate the operational, financial, and marketing needs of the specific unit. These individual business plans, in turn, must fit into an overall plan—the organization's strategic plan. The strategic plan, in turn, is a reflection of the organization's vision of its future—its long-range plan. The business plan coordinates all the organization's functional plans and is developed in light of the current competitive environment. The marketing plan is one chapter (the first one) of the business plan.

An organization's business plan is an integral part of strategy. Before the business plan can be developed, the overall strategy (vision, mission, and critical success factors) needs to be established as a future target (**FIGURE 2.4**). After the vision, mission, and critical success factors have been formed, the *first* step in the development of the business plan can be taken: to establish the marketing plan. The marketing plan feeds the operational plan, which, in turn, feeds the finance plan. All these items combine to make a business plan. Furthermore, it is not possible to have a business plan without each of these elements. Within each of these planning elements are goals, objectives, strategies, tasks, forecasts, quotas, budgets, and other appropriate items unique to each functional area. In a best-case scenario, the marketing plan begins the business planning process, as shown in Figure 2.4.

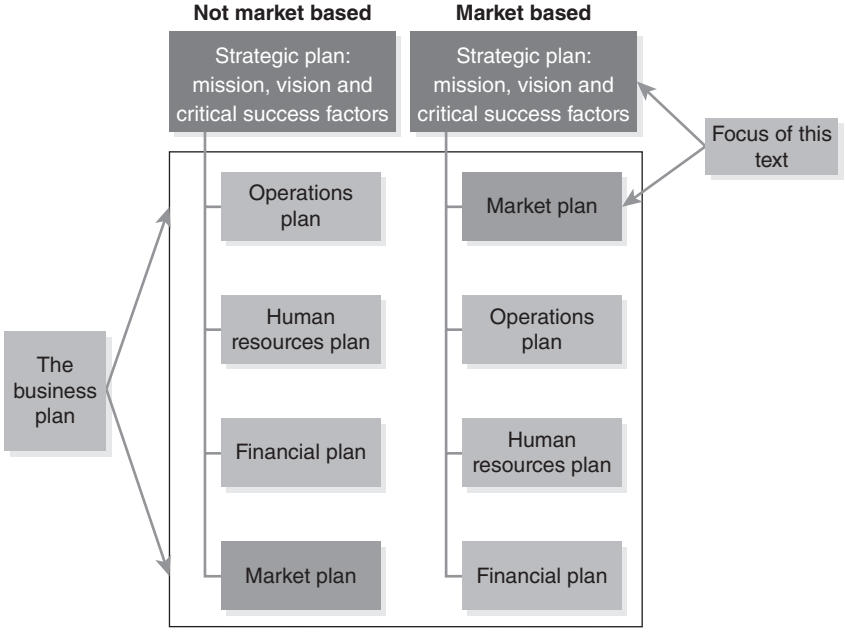


FIGURE 2.4 Relationship of Strategic Plan to Business Plan to Marketing: A Hierarchy Model

The left column shows the nonmarket-based approach where, in essence, marketing and market considerations come last. This model is common in hospitals where programs are developed and financial assumptions are made without input from the market. What the left column usually means is that after the program, location, and pricing decisions have been made, someone comes to the marketing department asking that advertisements be created. In a market-driven model (the right column), the marketing group would conduct a market analysis, including research, testing of pricing options, and reviewing a host of other factors that would be used to drive operations and finance. In other words, to be customer focused, an organization must first obtain knowledge of the customers as directly as possible through data and market research efforts. Step 1 will provide specific ideas on how this is done.

In a multiunit organization, each business should undertake this business planning activity. In a multispecialty clinic or a hospital, planning should take place at the departmental or program level. Each service or program of the business should have its own marketing, operational, and finance plan, which, when combined as a group, is called the business plan (**FIGURE 2.5**).

Integrated Strategic and Business Plan Model—All Business Plans Created in Context of Overall Enterprise.

Combining the business plans of each department within a hospital or clinic, along with the overall strategy mission, vision, and critical success factors, creates the strategic plan for the organization. For example, the rehabilitation department of a hospital may have as its marketing plan the objective to "be a leader in high school sports medicine therapy." The cardiac department may consider one of its objectives to be "the leading provider of women's cardiac conditioning." Both of these clinical areas will have their own business plan, yet taken together, these two clinical areas are part of the same strategic plan; therefore, it is necessary to ensure that each business plan is consistent with the other before the strategic plan is implemented.

A good business plan will have the following characteristics. It will:

1. Be embraced by leadership.
2. Be written and communicated.
3. Be concise.
4. Be doable.
5. Include measurable targets and milestones.
6. Be linked to decision-making.

Enterprise-wide strategic plan (followed by business plan)		
Cardiac business plan	**Obstetrics business plan**	**Rehabilitation business plan**
Marketing	Marketing	Marketing
Operations	Operations	Operations
Human resources	Human resources	Human resources
Finance	Finance	Finance

FIGURE 2.5 Enterprise Strategic Plan

Does a Hospital or Healthcare Organization Need Multiple Business Plans?

If a hospital or clinic has multiple clinical departments, which is the case for most hospitals, then a business plan is needed for each major business line that the hospital chooses to support. Why? Each clinical area has different products and, most importantly, different target markets or customers. Obstetrics, for example, is focused on younger women, while cardiology might be focused on older men. These two different clinical areas have different sets of potential patients with different requirements, and different clinical services are required. Therefore, each clinical area will typically have its own business plan. At the same time, all of these business plans are likely operating within the four walls of the hospital or clinic, and a form of coordination is necessary. A store such as Target or Walmart is a good example of how coordination works. In a typical store, one will find *clothing* display food section, pharmacy, walk-in clinic, and other departments. Each department has its own set of customers, inventories, and methods of paying salespeople. Some departments advertise daily, whereas others may advertise perhaps once a month. Each department has its own manager, including staffing, revenue targets, and inventory control. These departments also have their own business plan. Some departments might contract with outside companies to operate entire business lines. Yet, from a consumer point of view, the individual department business plans are transparent. The store looks and feels integrated. The consumers have no reason to think about the fact that 70% of the department store's entire advertising budget is devoted to the women's and perfume portion of the store or that the perfume staff is on commission while the walk-in clinic staff is on salary. While each department has its own business plan, the job of management is to coordinate those business plans into a package that provides the overall best positioning of the entire store to the marketplace.

Marketing Plan

A marketing plan is a section of the business plan. The marketing plan is not the business plan, and the business plan is not the marketing plan. The marketing plan is the first chapter of the business plan, and it is built in light of the business unit and the overall strategies and vision of the company. The marketing section will typically outline the key market and environmental trends, competitive influences and performance, and sales targets and strategies used to achieve the targets. Those strategies might involve a sales force, new products or services, new locations, and different pricing options.

Planning Versus Marketing

There is much confusion regarding the relationship of planning to marketing. Some authorities have argued that a corporate plan should be established before a marketing plan is developed.[2, 3] The problem with this model is that the process may not be market based because the corporation sets strategies and goals without the input of the market (marketing). The key to a market-based approach is

building strategy based on the data and facts from consumers, patients, and customers, and the key to the business plan is to obtain market input regardless of how and when the discipline of marketing is involved. Planning is an integrative function in which the interplay between major management functions is constant. For example, the organization establishes its mission within the context of marketplace forces and develops its marketing plan within the context of its mission and goals. Although this is an interactive process, marketing is a crucial first step in that it helps determine which business to enter and provides a foundation for finance and other input areas in formulating these plans.

Planning started as a budgeting role in business and has only recently evolved into a strategic role. The National Professional Organization of Strategic Planners was initially an organization of budgeting experts before it evolved into today's group, the Strategic Leadership Forum. Even more confusion exists regarding planning in the healthcare industry, partly because of the way in which planning was introduced into the healthcare environment. In many healthcare organizations, planning began in the department that handled government regulatory affairs, such as matters that involved systems agencies or regulatory agencies. The first planner in most hospitals helped guide the organization through the regulatory process, but that person often did not participate in the development of the organization's strategic direction.

Over time, the role of the planner was often expanded beyond regulatory activities and into the development of long-range plans and business strategy in general. In the 1980s, healthcare organizations started to put planning, marketing, and communications in the same organizational bucket because it "seemed natural." Healthcare organizations did not realize that the skill sets required of these three professional groups were different.

Today healthcare organizations often have both planners and a marketing staff, and there is sometimes confusion about their separate roles. There need not be any confusion, however, inasmuch as the planner and the marketing person both have valid positions, different responsibilities, and distinct relationships to the organization. The role of the planner is to take a somewhat neutral position and coordinate the entire business planning process. This role includes balancing the interests not only of the marketing group but also of the other groups involved in the business plan (i.e., operations, human resources, and finance). For example, a marketing group may be perceived as liberal because it does not hesitate to spend the corporation's money on ideas, whereas the finance department may be perceived as conservative because it invests in 20-year bonds at 3%. The role of the planner is to make sure everyone is focusing on the mission of the corporation, and the planner can be especially useful in providing a balance between marketing and finance interests. Sometimes it is useful to think of the planner as the coach and the components of the business plan (i.e., marketing, human resources, operations, and finance) as the team members. The role of the marketing person, in contrast, is to remain aware of the organization's marketing philosophy and implement a customer-oriented marketing plan. Regardless of how planning and marketing relate within a given organization, the common element that they both share is an interest in assessment and data.

Everyone now, it seems, has decided to become "market-focused" or "customer-oriented." Nevertheless, when it comes to setting strategy, the customer-oriented theme often is not in evidence. Although the planning process

has improved, most healthcare organizations that develop plans do not incorporate a market-based approach. The typical (nonmarket-based model) (Figure 2.4) process often begins with the wants and needs of people who work in the hospital or who own the clinic and their views of the marketplace. These views often become the conventional wisdom because these people sit on committees or are the leaders of the organization; they have had the time to set strategy or are responsible for doing so. But marketing people have always known clearly that the views of the people who are in the business can easily be different from the people who use the service or frequent the clinic. Insiders speak of "clinical care," "cost per case," "integration," "ACOs [accountable care organizations]," "quality," and "performance measurement," while patients or plan members speak of "phone call," "billing errors," and "time with the doctor." The market-based approach starts with customer wants and needs, and these become the basis for a program or service to address those needs. Probably the most dangerous marketing judgment we can make is to presume we know what the marketplace wants without actually testing those perceptions.

What Is Market-Based Business Planning?

To accomplish market-based planning effectively, it is necessary to understand marketing philosophy. There is much misinformation about this concept and its implementation. Although the marketing philosophy is simple, most healthcare organizations have never been successful in understanding or implementing the concept. Basically, marketing is:

1. The process of listening to consumers and the marketplace.
2. The philosophy of organizing to satisfy the needs of a group or groups of consumers.
3. The satisfaction of these needs in a profitable fashion.

The essence of marketing is best highlighted by these points:

1. A philosophy of consumer orientation.
2. A system of objective data gathering.
3. A road to dynamic business strategy.
4. A process of business planning.
5. An emphasis on innovation.
6. A means of performance evaluation.
7. A focus on future opportunities.

Good managers understand that planning starts with marketing, and marketing starts with the consumer. Marketing plans are an integrative process of listening to customers and developing strategies and objectives that meet their needs, as well as conforming to the policies of the organization that are realistic and within the context of financial and operating parameters. Any other methodology is not market based.

A Market-Based Versus a Nonmarket-Based Approach

A marketing plan begins with an analysis of the market. Most healthcare organizations think of their internal needs first and the marketplace second. This is a

nonmarket-based approach. A market-oriented manager, however, begins with a determination of external needs and focuses internal actions on those external needs. This is a market-based approach. The two approaches vary in just a few ways, but the difference in the results obtained can be dramatic. **FIGURE 2.6** shows the nonmarket-based method, and **FIGURE 2.7** shows the market-based system of planning.

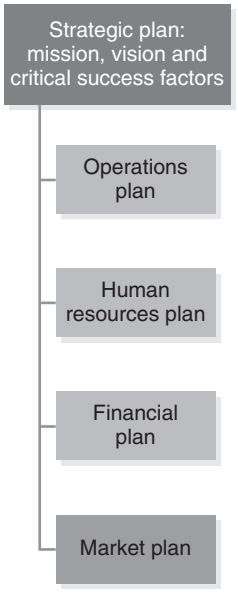


FIGURE 2.6 Nonmarket-Based Approach to Planning

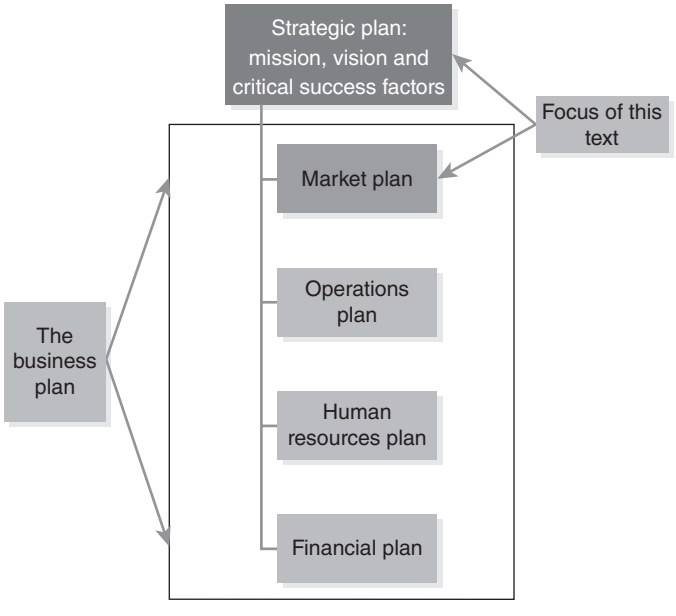


FIGURE 2.7 Market-Based Approach to Business Planning

In a nonmarket-based model, the board of directors or physician shareholders of the group establish the goals and objectives for the organization. Typically, these individuals set the goals for the coming planning period. At Brighton Hospital, for example, the mission is to provide high-quality care to residents in the immediate community. On the planning committee are two physicians who have had a long-standing relationship with the hospital and are respected by their peers. Both physicians have served as chiefs of the medical staff. They believe that there is a need for a basic rehabilitation program in their area. Discussions at medical meetings and articles in popular trade journals suggest that such programs are increasingly common. As a result of the political persuasion of these physicians, the hospital allocates resources and space to a full clinic. The public relations department is instructed to build demand through immediate media coverage. Six months after the service becomes available, demand has not met projections.

When a program fails, the organization's executive committee often meets to explore the reasons. The first explanation given may be that the marketing department did not sufficiently promote the program. The action to be taken is clear: Fire the marketing director. Sometimes, the marketing director is ineffective. Other times, a second explanation is posed: The fault lies with the director of the program, who must not be generating enough referrals; therefore, the program director must go. The possibility that the program director is ineffective may also be real. A third explanation is rarely voiced: There was no need for the rehabilitation program, or the program started by this organization had no differential advantage over existing programs.

This scenario changes under a market-based approach. The organization's members still set the mission, but they fulfill this mission with direction from the market. They assess market needs at the start by consulting with potential referral physicians. If these physicians see little need or advantage for a rehabilitation program, for example, yet report referral needs in sports medicine, the organization determines whether a sports-medicine program fits within its mission. If so, such a program is designed, tested, and reviewed by a sample of physicians before full-scale implementation. Hours, costs, and planned patient procedures are described. If this program is not what the referral physicians had in mind, it may have to be reformulated before it is fully implemented. If the program is acceptable, the organization needs to inform the referral physicians that the service is now available in the configuration that they suggested with the desired range of services at an acceptable price.

In this market-based approach, a key ingredient is testing the program before it reaches full-scale implementation. Testing is easier in product-based marketing than in service-based marketing. In testing a product, an organization can create a prototype and offer it to the prospective market. But such testing is expensive and often impossible in health care. A hospital cannot develop a prototype of a rehabilitation program without considerable cost; staff must be hired, space must be allocated, and support systems must be put in place. Instead, a hospital can test a service by developing a detailed description of the program and explaining staff credentials, hours of service, price, and other operational details that the buyer of the service would want to know. Before full-scale commercialization is presented to a sample of the proposed target market for their reactions, this concept description is provided, that is, likely interest, intention to use, or perceived problems.

A market-based approach is not "right," and the nonmarket-based approach is not "wrong." Yet, as financial resources become increasingly restricted, mistakes (programs that do not meet expectations) are costlier for the organization. A market-based approach helps improve the odds of success. It is easier to listen to buyers and provide the necessary programs than attempt to divine what buyers may need.

The Process of Starting a New Venture—What It Might Look Like

If you were starting a new venture, what would a market-based business model look like? The following is an example of how a business could get started adhering to a market-based business model.

Theodore was scanning Feedly online when he came across an article about stress therapy. He realized that he had been seeing online a number of articles about nutrition, stress management, acupuncture, and the like. Wondering whether an opportunity existed to create a business in this area, he decided to investigate.

Theodore began by accessing Google to obtain bibliographies on chiropractors, massage, stress, acupuncture, spas, and nutrition. While looking for articles, he noted repeated references to "alternative care" and "complementary care." He probed for information about these topics and read articles and found data on the Web at Medline, WebMD, and Healthline.com. Next, he visited the local library and websites and accessed several publications, including *Market Share Reporter*, *Small Business Sourcebook*, *Almanac of Business and Industrial Financial Ratios*, and *Statistical Abstract of the United States*. In general, Theodore was looking for information about the size, nature, and scope of alternative and complementary care. He downloaded references to alternative medicine. He also accessed services that conduct research in many business categories to see whether they had done any studies on alternative care. He searched alternative care topics, and it appeared that no syndicated studies had been completed. Back at his home office, he started to chat with people who had knowledge of the industry. He talked to professional organizations, individual friends who had experienced alternative care, and others who had knowledge about these services.

The next day, he plotted on a web map to see where these services were located. Then, he drove to some of the facilities to see what they looked like and what kind of activity was occurring. He found no particular pattern with regard to location: Therapies were located in professional office buildings, strip malls, and homes. He spent the next several days parked across the street from the entrances to several therapy businesses. During this time, he recorded the number of visitors (patients), their demographic characteristics, the hours of the day with the most traffic, the cars they drove, and their license plate numbers. At the same time, using his cell phone, he called for reference and credit checks on the therapy centers he was aware of to get a sense of the size and profitability of the businesses, and he looked at their websites. Ten days had passed, and Theodore had developed an early sense of the market: He discovered that most visits occurred from 2:00 P.M. to 5:00 P.M.; he noticed that the visitors were approximately 65% female, appeared to be about 30–55 years of age, and tended to drive Hondas or four-wheel-drive Ford Explorer utility vehicles. He called the local Honda and Ford dealerships to inquire about demographics that

they might have used to determine store locations. They did have such data, but they were unwilling to share them with Theodore. Beyond this information, Theodore determined that, in this market, alternative care was a fragmented "mom-and-pop" business with no strong entities, and old-fashioned websites.

At this point, Theodore developed a preliminary business theory that he decided to explore and test. He wondered whether a business mission could be built around bringing together under one roof multiple, independent, complementary therapies, establishing strong ethical principles, mainstreaming the business in the community, and providing a strong, single-brand identity or a national franchise.

He discovered other industries that grew by bringing a business concept out of the back alley and into the mainstream. The old pawnbroker and flea-market business has not typically been part of mainstream or upscale culture. In this business, people get cash for used (sometimes stolen) merchandise at a pawn shop or a flea market. The pawnshop or flea market resells the used equipment to others at a markup. Within this framework, Grow Biz International was formed and became one of the top 10 new start-ups in the mid-1990s. Grow Biz International set up segmented businesses called Play It Again Sports (selling used sports equipment, such as skates, skis, and golf clubs), Music Go Round (used musical instruments), Once Upon a Child (used children's toys and clothing), and Plato's Closet (used trendy clothing). These stores were not located in the depressed areas of town or in dingy stores by used-car lots. Rather, they were in upscale neighborhoods within better strip malls; they were patronized by children and adults with significant disposable income and were thought of as respectable retailers within the community. Theodore thought, given what Grow Biz and Pawn America have done to bring backwater business dealing to Main Street, whether it would *be possible* to bring complementary therapies to Main Street with a strong brand that would be respected across the country. After exploring online and finding medical-related franchise ideas, such as Relax The Back, Med Express, and Fyzical, Theodore decided to explore the feasibility of this concept.

At this point, Theodore has spent about 2 weeks of his time and $400 to explore the topic. Now it was time to begin to invest additional funds. He contacted a market research firm to design and conduct a study to determine the market size for complementary care and test his ideas. Because of his interest in a possible national franchise, he decided to gather information on three different markets to see to what extent consumers' thinking and ideas changed from one part of the country to another. He decided to test Phoenix, Arizona; Boise, Idaho; and Raleigh, North Carolina. The study entailed calling several hundred households in each market to determine what, if any, alternative therapies they had used in the last 2 years, the frequency of use, how the service was paid for, their satisfaction with the service, and demographic characteristics of the user group. Furthermore, Theodore wanted to test the idea of placing multiple therapies, such as physical therapy, yoga, a back pain clinic, natural foods, and urgent care in one facility, with each modality individually owned but all modalities operating under the same umbrella to see whether the market was attracted to that concept. The study took about 30 days to complete. It provided data from which a volume forecast could be established, along with a demographic profile of the average consumer.

With this database in hand, Theodore contracted with a site-location specialist to determine whether a match could be discovered between the demographic profile found in the research and the clustering of similar populations in specific zip codes.

Working with a business consultant who was a chiropractor and a friend who was a massage therapist, Theodore found a space with about 2000 square feet that could work as a location for a prototype of the business idea. With the volume forecast, rent information, and the cost of utilities, remodeling, and staffing, Theodore was able to profile a preliminary income statement in conjunction with a consulting company. Although work was only preliminary, it appeared that the business would be sound from a financial perspective. Would the market be interested? Theodore decided to do more market research. This time, he conducted direct market research through Signe's Research Incorporated (SRI). SRI's task was to determine the market's view of the location, the proposed services, potential names for the business, and pricing. As a result of this test, Theodore was forced to go back to the drawing board because his idea for package pricing was not popular, the market was not interested in spa facilities, and the alternative names did not create enthusiasm. However, the marketplace did find valuable the notion of a "brand" with a board of respected alternative and mainstream leaders who could, in effect, certify quality and ethics. This was going to be a seal of approval concept given to independent practice professionals.

Probably a franchised concept. Armed with his data, Theodore contacted a venture-capital firm and continued to explore the possible opportunity. At every important step, he tried to check back with the market to help refine the thinking and the model. Ultimately, the site location, size, and name were modified. The concept was made more upscale and pricey, and physicians were added. The business was launched, and the national rollout proceeded. HMOs [Health Maintenance Organizations] from around the country have contacted Theodore to convince him to bring the model to their communities, as they think it can be a useful tool for adding to their membership.

As can be seen from this example, the sequence of the market-based process is simple. It incorporates six steps:

1. Thinking about a vision/idea.
2. Performing an external/internal analysis.
3. Developing action strategies.
4. Testing strategies in the market before launch.
5. Creating a plan that is financially responsible and contains accountability.
6. Providing appropriate control procedures, feedback, and integration of all plans into a united effort.

When the Customer's View Is Different from Your View

Organizations that consider themselves knowledgeable about their customers are often surprised when they find out what their customers really want. For example, a firm that specialized in services for the elderly was planning to build a large retirement center for the frail and elderly. The management team, planners, and marketing staff had years of experience working with these people, and they went about designing apartments that would be attractive to them. They knew that 90% of the people in this project would be women who were age 85 and older, and they theorized that these women would have long-standing interests in caring for their

homes, cooking, and taking part in traditional family activities. Therefore, these experts planned to construct one- and two-bedroom apartments with convenient and spacious modern kitchens. Twelve units on each floor were planned.

After much discussion, the marketing department of the hospital that was sponsoring the project persuaded the firm to conduct group discussions with these elderly consumers. The focus groups confirmed that the women did, in fact, have a commitment to traditional values, but they did not want large kitchens because they were basically cooking for themselves. One of them suggested that each apartment have a small galley kitchen and that each floor have a single commons area *with a* large kitchen to be shared by the residents of all 12 apartments. Such an arrangement would make it necessary for residents to interact with their neighbors, do things together, develop a feeling of community, and, thus, reduce their loneliness. The person who came up with this idea had probably never developed a strategic plan or performed environmental assessment for elderly people, but the other members of the focus group immediately agreed with her idea.

Clearly, an institution's view of a desired service may be different from what customers are seeking.

This market-based orientation requires healthcare professionals to accept the fact that the marketplace should have an impact on decision-making. For example, the growth of a clinic may depend on the establishment of new office hours based on expressed consumer need, or a clinic's relationship with a healthcare system, and how successful that overall integrated system is in attracting patients in the market relative to the competition. Many professionals find it difficult to engage consumers in these discussions or allow them to participate in decisions.

In the mid-1990s, Andy Grove, then-president of Intel Corporation, described in *Fortune* magazine his attempt to get answers and coordinate information when he was diagnosed with prostate cancer.[4] When doctors told Grove that he had cancer and recommended a course of action, Grove went on the Internet and found vast amounts of information and data. Some of the data conflicted. Nevertheless, Grove learned about options that his doctors never told him. Grove, in essence, became the manager and decision-maker of his own situation, and he chose a path that was different from the one his doctors had proposed. Doctors at Dartmouth Medical School have studied diseases like prostate cancer and have concluded that when patients are given options, they will often not choose surgery when no difference in mortality or morbidity is demonstrated.[5] More patients are questioning conventional wisdom and are willing to press for options. Professionals who have felt a need to control the options in the past will be at odds with the market-based approach.

Overall Strategic and Marketing Model

The integration process involves the coordination of marketing plans with finance, human resources, operations, and resource allocation. Also included are the development of the organization's entire product or service portfolio, as well as the sharing and coordination of plans with the other services within the organization.

Many organizations have a reasonably good system for determining and controlling expenses, but then, mistakenly, consider it a planning or marketing planning process. Other companies confuse budgeting with planning. Although budgeting

and forecasting are important in the development of marketing plans, they are not the sole ingredients. When completed, a marketing plan contains answers to the questions in **EXHIBIT 2.1**. Answering these questions in sequence is the foundation for most marketing strategy sessions.

The complete strategic and market-planning model is shown in **FIGURE 2.8**. Once all the steps shown in the figure are completed, the company can finish the business plan with the completion of the operations and financial plan. The steps in this process are sequential and interconnected. A complete business plan requires a marketing plan, and a marketing plan requires knowledge of the strategic vision of the company. Step 1 will explore the essential elements of an internal/external assessment. In Step 2, a deeper understanding of corporate strategy will be examined, along with the tools necessary to have the strategic conversation. In Step 3 and beyond, a framework for creating tactics will be explored, along with the tools for monitoring and evaluating the results.

To establish an effective marketing plan and, therefore, a market-based business plan, it is necessary to understand an important premise. Market-based thinking is the process of determining customer wants and needs and then, to the extent possible, designing appropriate programs and services to meet those wants and needs

EXHIBIT 2.1 Marketing Planning Questions

Who is the market?
Where is the market?
What are the needs and demands?
Where are you now?

- As an institution?
- As a department?
- As an individual?
- With respect to the environment and competition?
- With respect to capabilities and opportunities?

Where do you want to go?

- Assumptions/potentials
- Objectives and goals

How do you want to get there?

- Policies and procedures/levels of initiative
- Strategies and programs

When do you want to arrive?

- Priorities and schedules

Who is responsible?

- Organization and delegation

How much will it cost?

- Budgets and resource allocations

How will you know if you are successful?

- Feedback and review sessions
- Continuous monitoring



FIGURE 2.8 Overall Strategic and Marketing Model*

*Note: Not the complete business plan model.

in a timely, cost-effective, and competitive fashion. It is the process of molding the organization to the customers that the organization (for example, a clinic) provides what they need.

Summary

This chapter concerns understanding how and where the strategy and business plan fit alongside marketing. Essentially, strategic planning is designed at the top levels of the company and involves the board. A specific business plan is at the operating level or product line of the company, and marketing is a component of the business plan. Strategic planning is about corporate direction, and business planning is about the day-to-day execution of tactics to reach the corporate objectives. Strategy and business planning are important and both exist side by side in successful organizations as follows:

1. Top management must be committed to the process.
2. The Chief Executive Officer (CEO) is the chief strategist, but the board sets the vision.

3. Marketing planning must be a way of life, not an activity that occurs during a certain time within the business year.
4. The approach must be balanced and integrative.
5. There must be detailed goals.
6. There must be an action plan.
7. The action plan must be result oriented.

However, the execution of the marketing and business plans is not straightforward, and, therefore, it is necessary to obtain an organizational understanding of the planning process as early as possible. Step 1 will evaluate the importance of understanding the environment and the tools that are used to assess opportunities will be examined. Step 2 will focus on the strategic planning process, including methods for coming to an agreement on a mission, a vision, and critical success factors. Step 3 will concentrate on determining a marketing strategy, and Steps 4–6 will look at tactics to use in a marketing strategy and, in turn, how to manage and evaluate the marketing strategy.

Questions for Discussion

1. What is more important, a strong strategic plan or a strong business plan?
2. Why is it difficult to achieve the strategic plan?
3. Should the CEO be evaluated on the vision, the mission, or the annual profitability?
4. In health care, is it ethical to have a strategic plan that, in essence, would cause a competitor to go out of business?
5. Why is there often confusion regarding the differences among a business plan, a marketing plan, and a strategic plan?

Notes

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4. Grove, A. (1996, May 13). Taking on prostate cancer. *Fortune Magazine*.
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