Strategic Quality Planning

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The champions of quality assert that an organization that improves the quality of its services or products will enhance its performance and competitive position. W. Edwards Deming described a chain reaction in which elimination of variability in processes brings decreased costs, improved productivity and quality, and enhanced competitive position. Michael Hammer indicates that the radical redesign of processes through reengineering leads to dramatic breakthroughs in performance, quality, and costs and, therefore, improved competitive position. In this article I present a strategic quality planning (SQP) model that integrates the continuous quality improvement (CQI) and reengineering philosophies, along with the plan-do-check-act (PDCA) method for process and quality improvement.

Quality of services and products in health services organizations "includes two dimensions: conformance to requirements and fitness for use—both of which include satisfying customer needs and meeting customer expectations" (Rakich, Longest, and Darr 1992, 408). Among the quality considerations are questions such as Are there defects? Was the service appropriate? Was it on time? Did it meet customer needs? and Was the customer delighted—that is, did the service or product attributes exceed the customer's expectations?

Customer focus, both internal and external, is a fundamental tenet of both CQI and reengineering. Those two philosophies about quality and how to achieve it address the organization's processes and its resource use and seek to improve productivity. A strategic approach to quality is referred to in the literature as *hoshin planning*. It, too, is customer oriented, primarily externally focused, and seeks to achieve breakthroughs in organization performance, quality, and competitive position. *Hoshin* is a Japanese word meaning "shining metal compass" or "pointing direction." (Melum and Collett 1995, 15; Campbell 1997, 1). Hoshin planning is also known as focused planning, policy deployment, or strategic quality planning (Stonestreet and Prevost 1997, 616). It is a way of linking quality initiatives such as CQI and reengineering to the organization's strategic planning process (O'Brien et al. 1995, 21). It identifies improvement activities and focuses them on a few critical processes that are considered key to meeting customer needs, improving quality and performance, and enhancing the organization's competitive position (Hyde and Vermillion 1996, 28; Horak 1997, 2–4).

STRATEGIC QUALITY PLANNING

Hoshin planning is vertical in nature, flowing from the organization's strategic vision, as articulated in its mission statement. It is a systematic way of undertaking improvement initiatives (Shortell et al. 1995, 6). It also involves allocating resources and aligning or restructuring the organization. It "helps

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an organization focus on a few key elements in its strategic plan and coordinate efforts across the organization to deliver changes" (Kennedy 1994, 578). Strategic quality planning (hoshin) is macro in nature—a step that is beyond CQI and reengineering but embraces both.

As health services shift from a predominant focus on illness to prevention and wellness, and from independent health services organizations (HSOs) to health systems, managers need to address critical questions for their organization (Melum and Collett 1995, 4):

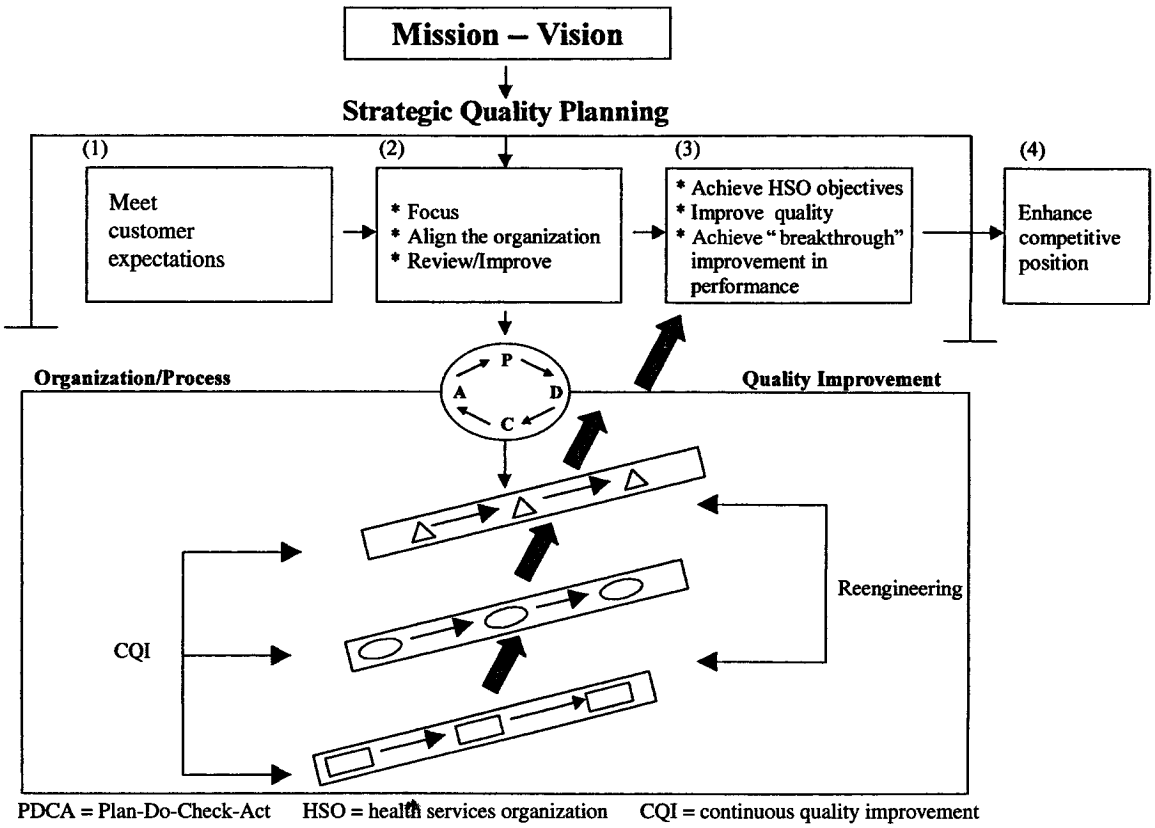
- How do we *plan* to integrate organizational or system components successfully?
- What are the most important processes to *focus* on to meet patient/client (customer) needs and to ensure long-term success?
- How do we *align* the organization—organize its people and departments to work together toward success?
- How can we increase all employees' *understanding* of the organization's priorities and plans?
- How can we *balance* the need to accomplish organizational objectives, while empowering employees and providing them opportunities for initiative and creativity?
- How can we facilitate *breakthrough thinking and results*?

Strategic quality planning is one method to answer these questions and to achieve quality of outputs, improved performance, and enhanced competitive position in the marketplace.

STRATEGIC QUALITY PLANNING MODEL

Figure 1 presents an overarching strategic quality planning model that integrates CQI, reengineering, and the plan-do-check-act cycle. Fundamental to SQP are the HSO's mission and vision—what it wants to be and to achieve. The mission statement reflects a philosophy about the organization and its role in health services delivery. It is the "foundation on which the rest of strategic planning is built" (Whyte and Blair 1995, 293) and is the basis for all other organization planning,

FIGURE 1. Strategic quality planning model



including quality planning. The mission also incorporates the core values of the HSO, such as excellence, compassion, integrity, respect, responsibility, and trust. Basing them on the mission and vision, the governing body establishes specific organizational objectives. Senior management identifies, evaluates, and implements strategies that bring about the broad-based patterns of activity and commitment of resources that accomplish the organization's objectives and fulfill its mission.

As depicted in figure 1, the foundation of strategic quality planning is the HSO's mission and vision, which must be articulated to and understood by all organization members. Anchored to meeting customer expectations (1), SQP seeks to focus (2) on those organizational processes that are of critical importance to achieving improved quality and "breakthrough" improvements in performance (3). The result is the HSO's enhanced competitive position in the marketplace (4).

The lower portion of figure 1 depicts the CQI and reengineering philosophies and the PDCA method for organization/process–quality improvement as subsidiary components of SQP. Once there is focus on critical, high-priority processes, CQI and reengineering are management philosophies that can be implemented to achieve quality and performance improvement. Both incorporate the PDCA method.

Continuous Quality Improvement

The continuous quality improvement philosophy has four main elements. First, service and product quality includes meeting or exceeding customer expectations—it is customer driven. Second, monitoring and evaluating the quality of outputs are both retrospective (after the fact) and prospective (before the fact)—poor quality can be prevented. Third, quality is not the responsibility of just one department or individual; it is an organization-wide responsibility and involves all employees. Fourth, quality and productivity improvement focus on both processes and outcomes. That is, by improving processes, outcomes will be improved (Rakich, Longest, and Darr 1992, 409).

Reengineering

Hammer and Champy define reengineering as "the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as costs, quality, service, and speed" (1993, 32). Sometimes termed *process innovation* or *core process redesign*, reengineering as applied to health services seeks to make fundamental and radical changes to HSO processes and how healthcare is arranged and delivered, including time and place (Bergman 1994, 30).

Reengineering has four primary attributes. First, it is outward-in, focusing on the customer. Second, it involves fundamental change through identifying first what the HSO must do (vision), then how to do it. Third, it is radical, involving disregard for existing structures and processes and developing of totally new ones. Fourth, it is dramatic, involving breakthrough leaps in performance rather than marginal or incremental improvements.

CQI versus Reengineering

Hammer and Champy view reengineering as a step beyond CQI: "Quality improvement [CQI] seeks steady incremental improvement to process performance. Reengineering . . . seeks breakthroughs, not by enhancing existing processes, but by discarding and replacing them with entirely new ones" (1993, 49).

The lower portion of figure 1 presents this philosophical difference. With CQI, each of the three organizational processes depicted is incrementally improved (sloping upward to the right). The breakthrough change with reengineering is depicted by an upward leap to a new, radically redesigned process. Through CQI and reengineering, the SQP objectives of improved quality and performance are achieved (see 3, figure 1). The result is enhanced competitive position (4).

HOSHIN PLANNING DEFINED

Hoshin planning has various definitions, but the elements are similar. AT&T views it as "an organization-wide and customer-focused management approach aimed at planning and executing breakthrough improvements in business performance" (Melum and Collett 1995, 16). The Juran Institute defines it as "the systematic process by which an entire organization sets and achieves specific long-term goals with respect to quality" (Melum and Collett 1995, 16). Another definition is "hoshin planning is a systems approach to strategic planning. It is a step-by-step process for building consensus on the vital few strategic areas within which breakthroughs must occur if an organization is to meet and exceed the needs of its customers" (Demers 1993, 64).

Attributes

Melum and Collett (1995, 16) give the six key attributes of hoshin planning:

A *focus for the organization*, in the form of a few breakthrough goals that are vital to the organization's success.

A *commitment to customers*, including targets and means at every level of the organization that are based on meeting the needs and expectations that customers rank as most important.

Deployment of the organization's focus so that employees understand their specific contributions to it. This is referred to as the "Golden Thread" that links employees to what is important to customers and to one another.

Collective wisdom to develop the plan, through a top-down, bottom-up communication process called "catchball."

Tools and techniques that make the hoshin planning process and the plan helpful, clear, and easy to use.

Ongoing evaluation of progress to facilitate learning and continuous improvement. The evaluation system emphasizes both results and the processes used to achieve results.

A summary of the hoshin planning process, shown in the top portion of figure 1, is expanded in figure 2 and described below. The main activities are (a) choose the focus, (b) align the organization, (c) implement the plan, and (d) review and improve.

Choose the Focus

Choosing the focus (step 1 in figure 2) includes making sure that all employees understand the HSO's mission and vision as articulated by senior management; analyzing the opportunities and threats in the external environment, including customers, markets, and competitive position; and assessing the HSO's internal environment to identify strengths and weaknesses. In hoshin planning the "focus" relates to the mission-derived vision—identifying and articulating what the HSO wants to be in the future; for example, to be the highest-value healthcare provider in the area, to promote the development of integrated delivery networks to enhance community health, and to expand capacity to serve patients in the service area (Melum and Collett 1995, 17).

Choosing the SQP focus (step 1) and identifying what the HSO must do to achieve its vision require assessment of the HSO's present position. This assessment indicates the gap between actual performance and desired performance that must be closed to achieve the vision and objectives. The focus component of hoshin planning provides a method by which senior management can identify what is most important to customers and a structure to ensure that the focus drives behavior and work at all levels of the HSO.

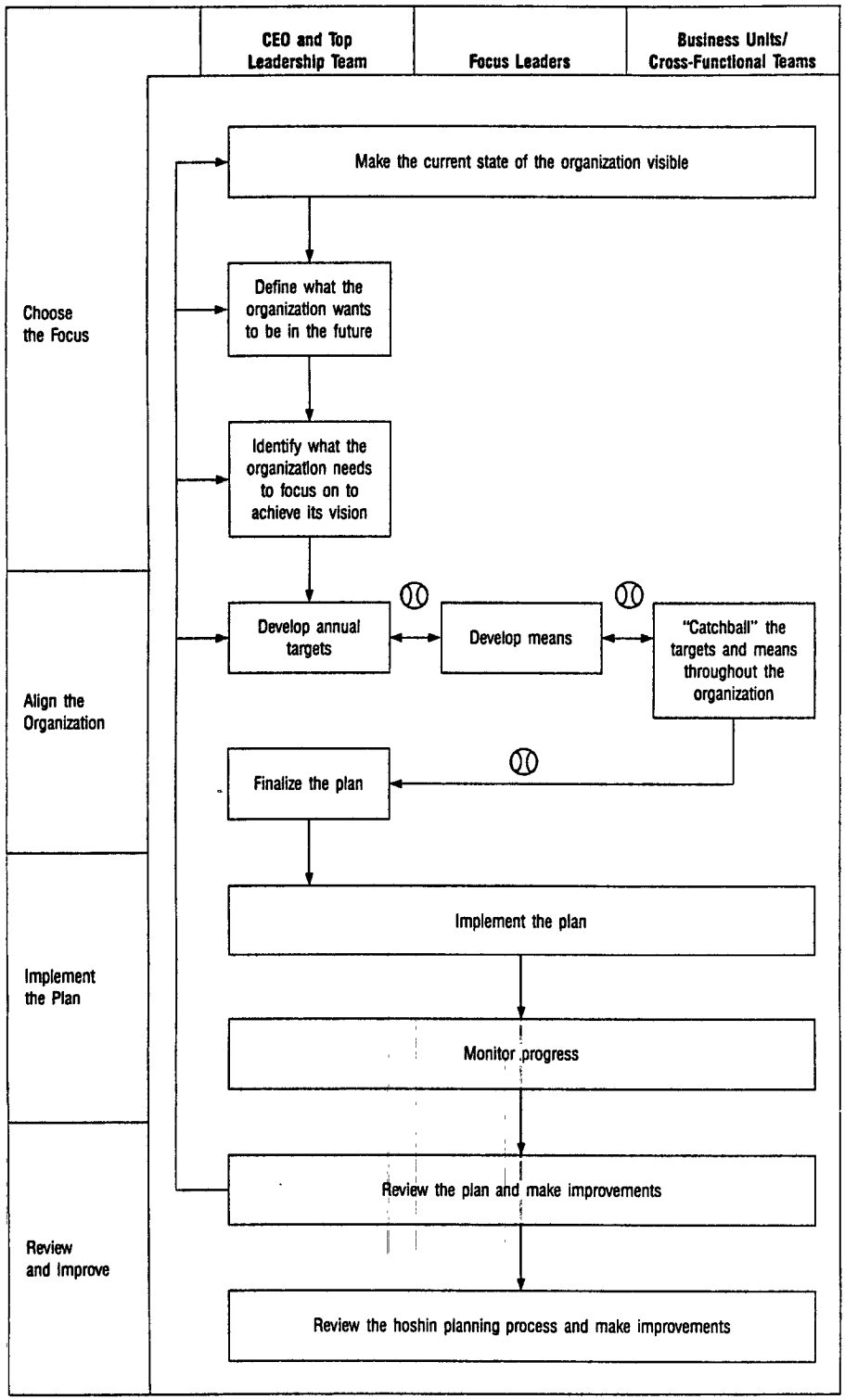
Align the Organization

The alignment component of figure 2 (step 2) identifies the performance targets for key success factors that are part of strategies to meet customers' needs (Griffith 1994, 451). An iterative process involving substantial communication throughout the HSO is intended to ensure that all employees understand the vision and accept ownership of the performance targets.

By polling customers and management, gap analysis will reveal discrepancies between expectations and actual performance in the quality of services delivered (Hyde and Vermillion 1996, 30). Through an iterative, organizationwide process, targets for key process performance are developed, negotiated, and communicated (Plsek 1995, 68–69). The *golden thread* is the interconnection of targets at all levels that ties the organization together. *Catchball* is the term used to describe the iterative process by which implementation plans and targets are developed. As plans and targets develop, they are communicated to those involved in implementation—such as business units and cross-functional teams—modified, and thrown back for redevelopment. "In the catchball process, one level of management throws the ball—the tasks to be accomplished—to the next level of management" (Melum and Collett 1995, 21) or another planning team, which contributes to working out means to achieve the targets. Dialogue about targets and means proceeds within and across departments, down to the level of people closest to the customers and work processes, until the plan is developed in sufficient detail. Then the process reverses itself: As the plan is finalized, it is rolled back up the organization and checked for gaps, overlaps, and feasibility of implementation.

The collective wisdom of staff within the HSO emerges from the repetitive process to develop specific targets at all organizational levels and the plans to achieve them. This collective, iterative procedure is top-down, horizontal, and bottom-up, cascading

FIGURE 2. Hoshin planning system overview



Source: Reprinted by permission from Melum, Mara Minerva, and Casey Collett. 1995. *Breakthrough leadership: Achieving organizational alignment through hoshin planning.* Salem, N.H.: GOAL/QPC (phone 800/643-4316) and Chicago: American Hospital Publishing, p. 127.

throughout the HSO. An important outcome is an understanding of how the targets and plans relate to other organizational processes and how they are interconnected. It is evident that empowering employees in planning and implementation enhances their acceptance of the strategic plan, as well as their commitment and motivation to achieve the results. Furthermore, catchball and the resulting understanding of interrelationships facilitate teamwork.

Implement the Plan and Review and Improve

In figure 2, the steps "Implement the plan" and "Review the plan and make improvements" involve the same activities as the PDCA cycle (see figure 1). Based on identifying target processes critical to organizational success at all levels, plans are made and implemented. Performance relative to each target is tracked. Reviewing and improving the plan take place during implementation. It is essentially a control activity much like problem solving. If desired results are not attained in key processes, assessment will determine whether the deviation can be corrected and how to do it. Assessment may also indicate no deviation from expectations but that further improvement can be made. As in the PDCA cycle, lessons learned can be communicated. This can be done through reviews by process improvement teams, the next level of management, or senior management. All will facilitate achieving the articulated vision developed in the focus stage.

EXAMPLES OF SQP

I have chosen two examples of SQP from the literature: the cases of Bethesda, Inc. (Hotopp and Kaminski 1995, 131–49), and the Vermont Academic Medical Center (VAMC) (Demers 1993).

Bethesda, Inc., is a Cincinnati-based healthcare system composed of two acute care hospitals, a home health agency, a medical equipment company, and five occupational health centers. In the early 1990s Bethesda's steering committee, composed of the CEO, senior management, and leaders of the medical staff, focused on CQI with the objectives of improving the work environment of employees and physicians, customer-supplier relationships, and quality (i.e., accuracy and timeliness) of services to achieve its vision of "continuous improvement of service to meet the health care needs of the community" (Hotopp and Kaminski 1995, 131). Due to a serious financial situation, the high-priority project was selected to reduce delays in patient, technical, professional, and support services. Alignment and change to the organization included enhancing process measurement and reporting systems and improving processes. Implementation involved cross-functional teamwork, greater coordination among units, and employee empowerment. The 1992 results incuded "an 11% productivity improvement, an improved data reporting system, reduced waste in productive hours, and consistent patient satisfaction" (139).

In a subsequent 1993–94 round of SQP, the selected high-priority focus was "delighting customers by responding to their highest-priority demands for effective and low-cost care" (Hotopp and Kaminski 1995, 140). The specific objective was to increase clinical effectiveness. Implementation was similar to that in round one and involved systemwide cross-functional teams. The reported results were "the reorganization of the system to a more customer-driven structure," as well as increased clinical effectiveness through the standardization of 17 clinical paths of care and the development of a case management system (141–42). Additional reported outcomes were greater collaboration among Bethesda's system units, standardization of data reporting, improved communications, and enhancement of customer focus, both internal and external (143).

The Vermont Academic Medical Center includes a hospital, a large group medical practice, the University of Vermont's colleges of medicine, nursing, and allied health, and affiliated practice groups. In the early 1990s a group of 85 stakeholders—trustees, senior management, clinical and basic science deans, and external practitioners—developed a vision statement that included, among other elements, "having the patient as the focus of an integrated delivery system which balances access to care with cost containment" (Demers 1993, 67). Based on the results of a retreat, a number of specific high-priority initiatives were identified, one of which was development of an ambulatory care facility. Project teams were formed; organizational arrangements included identification of responsibility for specific implementation activities and time frames. Demers also reported greater focus of the "attention, energy, and resources of the hospital, practice groups, and medical school on collectively taking action to increase the value of its services to the customers it serves" (72); that is, greater integration of system components.

CONCLUSION

Strategic planning involves formulating organizational objectives and implementing strategies to achieve them. It necessitates both internal and external environmental assessment. SQP is derivative. Its purpose is to link quality initiatives to strategic planning generally and specifically to improve the quality of health services organization outcomes. The SQP process includes aligning the organization to achieve quality and requires organizationwide involvement to identify the improvement targets. The result is improved performance and enhanced competitive position.

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