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NEW REVENUE GROWTH

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the importance of being earnest about your business plan

Writing about the importance of business planning for a financially oriented audience may equate with preaching to the choir.

But an important question to consider is: Why is so little rigorous business planning done in not-for-profit health care? In other industries, and in for-profit health care, business planning is regularly and effectively used. Why is it so seldom employed among not-for-profits?

It seems that not-for-profit healthcare organizations have done limited business planning for four reasons:

- > Funding for growth initiatives was readily available until fairly recently.
- > Internal and external accountability for investment decisions has been lacking.
- > Not-for-profit organizations generally have been smaller and less sophisticated than their larger, for-profit counterparts.
- > Not-for-profits traditionally have had cultural resistance to for-profit business approaches.

But the good old days of easy money and ad hoc decision-making are a distant memory. The increasingly difficult financial environment, the size and complexity of today's healthcare organizations, and greater public scrutiny as a result of numerous, highly publicized financial debacles in healthcare organizations are adding up to enormous challenges and headaches for managers.

Admittedly, healthcare organizations are increasingly recognizing the importance and value of business

planning and are using it to make investment decisions. That's the good news. The bad news, however, is that even among those who employ business planning regularly, few monitor and evaluate how their business plans are implemented, assess the degree of success achieved, or make periodic adjustments.

What can a healthcare organization do to get serious about, or even more committed to, its business plan? Experts agree that effective business plans should have at least four qualities: completeness, rigor, input, and readability.

Completeness. A business plan's standard content includes service definitions, positioning information, a market assessment, business direction and strategies, a product and service development plan, organizational designs, a marketing plan, an operations and implementation plan, and a financial plan (see diagram, "What's in a Business Plan?"). Start with an outline for the plan, including, at a minimum, the elements represented in the diagram. When the plan is completed, ensure that the contents of the outline have been addressed adequately.

Rigor. The analyses that support the business plan, particularly market and financial analyses, must be carried out rigorously and with sufficient breadth and depth. Otherwise, the conclusions will be suspect. Use internal resources or outside advisers to assist in structuring the analyses to ensure that they will pass muster with the audience that will review the plan.

"Plans are nothing; planning is everything."

—Dwight D. Eisenhower

WHAT'S IN A BUSINESS PLAN?



Input. A great—or even good—business plan is not enough. Evidence of appropriate input from stakeholders and key external parties lends credibility to the analyses and written conclusions and recommendations. As part of the initial outline for the plan, consider where input will be needed and from whom; solicit that input at relevant points in the plan development process.

Readability. Unfortunately, too many business plans are poorly written and incoherent. To be effective, business plans should be complete, logically structured, well-written, and easy to read. Use internal resources or outside experts to assist in writing or editing the final plan.

The financial portion of the business plan is often addressed satisfactorily, according to William Sahlman, a Harvard Business School professor.^a However, he adds, more attention should be focused

on the following factors:

- > The people—the staff who will start and run the venture, as well as any outside parties (lawyers, accountants, suppliers, etc.)
- > The opportunity—a profile of the business, including what it will sell or provide and to whom, the economics involved, and who and what could prevent success
- > The context—details about the regulatory environment, interest rates, demographic trends, and other factors that cannot be controlled by the entrepreneurs
- > Risk and reward—an assessment of all that could go right *and* wrong, and a discussion of how to respond to these possibilities

Regular and systematic business planning helps healthcare organizations make sound investment decisions and maximize the chances for success. Is there any reason to delay full implementation of this basic business practice? ●

a. Sahlman, William A., "How to Write a Great Business Plan," *Harvard Business Review*, July-August 1997.

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