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Strategic Planning: Don’t Just Do Something, Stand There
Part I

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Most of us are familiar with the old saying, “Don’t just stand there, do something”. Action taken in response to such a statement may be appropriate in a medical emergency, but it may be totally inappropriate when applied to the management of a veterinary practice. When it comes to practice management it may be best to change that old saying to: “Don’t just do something, stand there”.

On a day-to-day basis there are a multitude of decisions that must be made in veterinary practice. An overwhelming majority of decisions are operational in nature and as such are limited in scope. They directly impact the short-term success of the practice but by themselves do not affect the long-term position of a practice. There are, however, in the course of veterinary practice those critical decisions that have a very significant, long-term effect on a practice. These are best labeled as strategic decisions, due to their strategic importance to the long-run performance of a practice. Examples of strategic decisions would include the design of a major marketing plan, the building/remodeling of practice facilities, and the expansion into new areas of medicine or surgery requiring capital investment for equipment and personnel.

Strategic decisions have certain characteristics that are not found with other, less critical decisions. The first characteristic is that strategic decisions are rare and therefore will not usually have any specific precedent to follow. The second characteristic is that of being consequential and thus demanding a substantial amount of resource commitment. The last characteristic is that a strategic decision will set the tone for many of the operational decisions throughout the practice. The risks and payoffs of these decisions are high in comparison to those found within the short-term operation of a practice.

The manner in which practice owners make strategic decisions will cut across a full range of management concerns that will impact the future of the practice. It becomes apparent that how one decides upon the proper course of action is at least as important as initiating the decided upon action. Strategic decision making requires a structured means of ensuring that all factors, variables and alternatives are considered and that the proper strategy is developed. This can be accomplished through strategic planning. A veterinary practice can remove some of the risk and decrease the uncertainties that are inherent with strategic decisions through the prudent use of strategic planning.

Strategic planning strives to answer several crucial questions about a practice:

1) What is the current state of the practice?
2) If nothing is changed, what will be the state of the practice in one year? two years? five years? ten years?
3) If the answers to question #2 are not acceptable, what specific actions should the practice take? What are the rewards? What are the risks?

Practitioners must answer the first two questions before they can think about the development and implementation of strategy. The answers to these will provide insight into where the practice is today and where it could and should be headed in the future. It is vital for veterinarians to have a clear understanding of how their veterinary practices can be influenced by a number of variables that are found within as well as outside the practice. Practice owners should use environmental scanning to provide this needed information. Environmental scanning is the monitoring and evaluation of information from both the internal and the external environment of the practice. Within these environments there are found certain strategic factors. Strategic factors are those elements and issues that have a high probability of having an effect on the practice. It is necessary to recognize strategic factors so that practice owners can judge their importance to the future of the practice.

The internal environment of a veterinary practice consists of three main components which form the setting within which the practice operates:

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structure, culture and resources. The structure of the practice refers to the organization of the practice, including lines of communication, chain of command, and how the work of the practice is accomplished. A practice's culture alludes to the "personality" of the practice. This personality incorporates the values and beliefs of the members of the practice. It also sets down the expectations for suitable behavior by the members of the practice. The last component of the internal environment is a practice's resources which encompasses a broad number of functional assets. Functional assets go beyond what is typically thought of as a practice asset. They include the knowledge, talents, skills and abilities of the practice's personnel. Also included is the proficiency with which people can work together to meet the common goals of the practice. Resources are people as well as buildings, equipment, and money.

A scan of the internal environment will identify the strategic factors that are known as the strengths and weaknesses of a practice. Strengths are those factors that sustain a practice. Examples might include the special skill of an experienced board-certified orthopedic surgeon or the efficient manner with which a technician can perform laboratory tests. Strengths need to properly identified so that they can be nurtured and fully utilized. Strengths are an important building block for strategy development. Weaknesses are those factors which hold back a practice from reaching its full potential for success. Examples of weaknesses are inadequate lines of communication between different functional areas of a practice, unprofessional behavior by front-line personnel of the practice, and lack of sufficient cash flow to maintain high levels of client services. The identification of weaknesses will lead to higher levels of awareness when trying to prioritize the areas of the practice that need the most attention and when trying to decide which areas of the practice will offer the greatest potential for growth. Weaknesses need to be evaluated for their impact on the possible strategic decisions being considered for a practice. If the presence of a weakness is judged to be a potential critical factor for the failure of a newly developed strategy, then the weakness will need to be eliminated or the strategy will need to be changed. Weaknesses can severely restrict the process of strategy development if they are not clearly identified and evaluated.

The external environment of a practice can be divided into two parts: the task environment and the societal environment. The task environment is also known as the industry. It contains the people and organizations that have a direct effect on a practice. Found in the industry are governmental agencies, colleagues, clients, suppliers, creditors, professional organizations, and practice advisors. The societal environment does not have a direct effect on a practice. Rather it consists of broad, general forces that can effect the long-run decisions of a practice. These forces are economic (e.g. inflation rates), sociocultural (e.g. regional shifts in population), technological (e.g. new products and equipment innovations), and political-legal (e.g. attitudes towards food safety).

A scan of the external environment will identify the strategic factors known as threats and opportunities. Threats must be identified in order to avoid unpleasant surprises that jeopardize the future success of a practice. An example of a threat is the empowerment of the animal rights movement. Another would be the opening of a new practice in an already over-crowded veterinary market. Practice owners must take threats (both present and future) into consideration when developing new strategies. Opportunities are chances to capitalize on environmental conditions. An example of an opportunity would be clients’ lifestyle changes that include a heightened regard for their pets. Opportunities need careful evaluation as to their potential for success in light of a practice’s strengths and weaknesses.

Environmental scanning can provide many answers to the questions concerning where the practice is and where it is heading. Strengths, weaknesses, threats, and opportunities come into play as the context for strategic planning is developed. A future article will examine strategy formulation, implementation, evaluation and control for veterinary practice.