What is the Meaning of Strategy in the Context of Canadian Healthcare?

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INTRODUCTION

A conference entitled, Toward a Canadian Healthcare Strategy, might easily raise the eyebrows of some, and the blood pressure of others. ‘Skeptics’ might say that other than the Canada Health Act, we do not have an overall national level strategy per se and that the thirteen provinces and territories in whose jurisdiction healthcare delivery mainly falls have their own strategies – thirteen approaches, each with its own governance and administrative structures. Not only is there scant evidence of a Canadian strategy, but also there is little prospect of an overarching strategy being achieved. More dubious still, ‘cynics’ might be concerned about labeling strategy as “Canadian”, “pan-Canadian” or “national” for fear that it presages an attempt to insert the federal government into the realm of provincial authority. The ideological and political aspects of provincial/territorial autonomy come to the fore. Whereas skeptics think a Canadian strategy isn’t achievable, cynics think it out not to be approached.

The purpose of the conference is to call into question both positions. However, before addressing the issues of whether we should have a ‘Canadian’ strategy - what it would look like and who would hold the jurisdictional controls - we need to understand what a strategy is and how it could apply to our discussions. What follows is a note on the concept of strategy and its application to an integrated Canadian approach to healthcare.

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A Working Definition Of Strategy

Strategy has a long military and political lineage, but as a management concept it is substantially a creature of the 20th century, mainly from the 1960s to today. It might be interesting to review the history of strategy, but as a conference background note it is more important to identify some of the different issues that strategy addresses. It is easy to become confused about what is meant by strategy per se with so many candidates being offered by consultants, academics and industry experts.

Canadian management professor Henry Mintzberg categorizes the plethora of definitions of strategy into five groups which he names the 5 Ps. Strategy is a:

1. **Plan** that provides “a direction, a guide or course of action into the future, a path to get from here to there.”
2. **Pattern** that is realized even if not planned, as “consistency in behaviour over time.”
3. **Position** in terms of “locating particular products in particular markets.”
4. **Perspective** on the organization’s own basic operating philosophy.
5. **Ploy** which is a set of tactics to compete.

Mintzberg captures various meanings commonly attached to strategy, but we need a definition to bring them together. Andrews provides an influential definition that he originated in the 1960s with the Harvard Business Policy group. He defines corporate strategy as:

> The pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and noneconomic contribution it intends to make to its shareholders, employees, customers and communities.

More needs to be said than is contained in a definition if strategy is to be something that guides Canadian healthcare. Thus, in what follows, we will build a conceptual framework to give substance to the definition.

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Aspects Of The Concept Of Strategy

Content Of Strategy

When we ask what is a corporation’s strategy, the answer is likely to be an explanation of the specific strategic goals, objectives and plans that the organization is pursuing. The content of the strategies is crafted by each organization in ways that follow from its own mission, that utilize its strongest resources, and leverage its distinctive core competences in pursuit of the best available opportunities. There may be similarities with other companies and competitors, but each has its own strategy. Similarly, if we ask, what is Canada’s healthcare strategy, we could be asking what specifically is the content of Canada’s approach, say as distinct from that of Denmark or France? As said above, healthcare strategy skeptics and cynics would likely both agree that at present, Canada has at the national level a relatively modest strategy with respect to content.

Generic Strategies

It is important to distinguish between the content and type of strategy, which is to say the basis upon which a strategy is built. Corporations design strategies for competitive advantage. In the public sector, strategy may be less about competition than effectiveness. It terms of strategy types, there are two main schools of thought. First is the resource-based approach which grounds strategy on its biggest strengths such technology, proprietary production process, superior brand or other key resources which are either in place or obtainable. Second is the industrial organization approach. Michael Porter’s famous generic strategy analysis provides a good illustration. His claim is that competitive strategies fall into two main types – cost or differentiation – and both can be further refined by the concept of focus. Walmart, for instance, competes in its markets on the basis of cost, i.e., being so efficient in managing its cost structure that it can underprice competitors. By contrast, BMW does not compete by offering cars at a lower price than competitors; it competes on the basis of differentiation by emphasizing those features of its automobiles which make it both unique and highly desired, namely for those qualities that make it different. The refinement of focus means that a particular company may decide to compete on a cost basis, but only in a specific market. This is a cost focus strategy. By contrast, another company whose competitive advantage is differentiation may choose also to focus only in certain markets, for example, by targeting consumers of a particular age or demographic. This is a differentiation focus strategy.

The point is that when we talk about strategy as being of a certain type, we are not defining the content of the strategy. Rather, we are describing something about the strategy such that it is either a cost, differentiation, cost focus or differentiation focus type of strategy. Of course it should be recognized that in the business world, strategies are aimed at competitiveness rather than achievement of social missions and purposes as in the public sector. So with respect to a Canadian healthcare strategy, we might say that we could develop a strategy of a particular type, for example a low cost strategy, or high quality of patient care strategy. But the important aspect is that it be the type of strategy that is most likely to promote effectiveness. What are the key resource strengths (i.e., resource-based approach) or positioning within the global healthcare industry (i.e., industrial organization approach) in terms of innovation that should lead the way we build our strategy? The content of strategy, then, is specifically what we design as our strategy within the type of strategy we have selected. Canadian provinces/territories need to ask themselves whether their strategies are built on leveraging or positioning, or whether they are shotgun approaches. The purpose of our conference is to understand both what should be the type of Canadian strategy, and whether he have at least a basic consensus around at least high level content.

Levels Of Strategy

In complex organizations, there can be strategies within strategies. This is common in a corporation that has more than one line of business. Each line of business may have its own strategy. These are called business–level strategies. Equally, the corporation can have an overarching strategy that incorporates the business-level strategies – something that brings them all together. It provides a rationale for why the corporation has its specific portfolio of businesses and how they integrate to become a whole. This is called a corporate-level strategy. Each business level of strategy is specific to the purpose it serves; all are linked under a common organizational umbrella, namely the corporate strategy. For example, a Canadian bank that has retail, corporate and investment banking operations has distinct strategies for each of its business lines specific to their particular industry segments. These business-level strategies then fall under the corporate-level strategy that links them together in a common purpose. In the healthcare sector, a medical science centre that contains a hospital, charitable foundation and research institute could have a corporate strategy for the health science centre and separate business-level strategies for the hospital, foundation and research institute. All strategies would be connected by common values and commitments; how the strategies relate to one another specifically depends on the point to follow.

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8 This is set out in the widely known and used SWOT (strengths, weaknesses, opportunities and threats) model. See Andrews, 45-51.
11 Ibid, 11-18.
12 There are many other bases for developing competitive strategy. As a contrast to Porter’s industrial organization approach is the resource-based view. See Gary Hamel and C. K. Prahalad, Competing for the Future (Boston: Harvard Business School Press, 1994).
Strategic Integration

Complex organizations need to link their strategic business units together in ways that best promote their overall strategic objectives. Three ways this can be done (that will hopefully shed light on our issues later) are: vertical integration, horizontal-related integration and horizontal-unrelated integration. An organization integrates vertically when, for instance, there are advantages to controlling a supply chain. For example, a manufacturing company might acquire its raw materials supplier upstream and its distribution company downstream in order to get better control of its costs at one end and relationships with customers at the other. Next, a horizontal-related integration applies to an organization that has two or more strategic business units that operate separately but are connected, say, by shared processes, raw materials, distributors or brand. Whatever the specific connections, it is important to ensure that their strategies are linked horizontally across each of the business units, and upward to the corporate level. Finally, a horizontal-unrelated integration is more tenuous in terms of strategic connection because the strategic units are not connected to each other; however, they are each connected to the corporate entity above.

It is useful to think of this analysis in terms of Canadian healthcare strategy. Provinces/territories vertically integrate when they link each of the parts of the chain of patient care together. How well this is done is measured in terms of operational efficiency, financial sustainability, accessibility, quality of patient care, etc. As well, provinces/territories have components of their systems that are horizontally related. Medical schools for instance are not a vertically integrated part of the chain of patient care, but they certainly are related to healthcare in the province/territory and as such are integrated into the overall strategy in that way. Finally, a provincial/territorial illustration of horizontal non-related strategy would be the combined provision of social services. An overarching provincial strategy brings together healthcare, recreation and transportation under a strategic umbrella, but the individual components also have their own strategies that are not closely related.

Strategy As Planning

Strategy is not simply planning, although planning is an important component of strategy. We commonly think of a plan as setting a direction toward some agreed upon goals or objectives. Often, a plan sets out not only the goals, but also the procedural steps to be taken to achieve the goals. Businesses typically position their financial goals as high priorities, and the steps to achieve those goals are contained in competitive strategies. Public sector entities differ from businesses because financial goals are usually secondary to objectives that reflect their social mission rather than economic purpose. For instance, a patient-centered focus delivering the highest possible quality of care might be a primary hospital strategic goal; but second level strategies that focus on operational efficiency and financial sustainability may be the required enablers to achieving the primary objective.

“Plans enable us to make decisions, not only about what should be a part of the plan, but ongoing decisions as we progress in using the plan. A good plan not only helps us to choose what to do, but also to clarify what not to do…”

Structure Of A Strategic Plan

If strategic plans are guides for achieving goals and objectives, something needs to provide legitimacy for those goals and objectives. In other words, if a plan has specific goals and objectives, what justifies those goals and objectives rather than some others?

MISSION, VISION AND VALUES

The nomenclatures that characterize the high level principles that justify the direction of a strategy are variously described as the mission, vision and values. Much confusion about the meaning and ordering of these terms routinely and needlessly sidetracks organizational planning meetings and retreats. The main purposes of the mission/vision are to (1) clarify for whom the organization exists, (2) explain the organization’s purpose, (3) describe the products or services to be provided, and (4) direct the organization’s future path. It does not matter whether we call this a mission or a vision or something else. The point is that some clear set of statements provides this general direction.

Next is the statement of values: the principles for which the organization stands and which guide the mission/vision, strategic goals and objectives, specific strategies, action plans, and so on. Sunnybrook Health Sciences Centre, for example, provides an example in their commitments to excellence,
Sometimes organizations include their value statements as part of the mission statement. Further, many organizations attempt to provide a succinct statement of mission that is more fully set out in some other part of the strategy document; other organizations include it all in one comprehensive statement. In practical terms, the form of the statements is much less important than providing a comprehensive and coherent direction for more specific and detailed plans.

**STRATEGIC GOALS AND OBJECTIVES AND SPECIFIC STRATEGIES**

Above we explained aspects of strategy such as generic types (e.g., cost or differentiation) or levels of organizational strategy (e.g., vertical or horizontal integration), but distinguished them from the content of strategy. However, the process of setting out an organization’s mission, vision and values is intended to then guide the development of content. The next step is to establish the content in the form of strategic goals, objectives and specific strategies. Strategies and their content can be established with different levels of specificity. For instance, a government might set financial sustainability as a strategic goal. Stating this in a plan gives general direction, but operationalizing the goal needs refinement. So, moving a level deeper could be stated as an objective of balanced budgets and capital investment to eliminate the infrastructure deficit. Next, specific strategies are required to achieve these objectives. Thus, a budget cutting strategy could be developed based on across-the-board budget cuts, or targeted cuts, or revenue enhancements such as tax increases. Clearly, the strategic hierarchy would need to be deeper still as the specific targets and initiatives to achieve the targets were fleshed out.

Still, it is important to remind ourselves that the stages of plan development are informed and legitimated by the components of strategy that sit above them: mission, vision and values.

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**Implementing Strategic Plans**

**The Balanced Scorecard Approach**

It can be useful to divide an organization’s strategic goals, objectives and strategies into categories as a means of bringing great clarity of focus. The Balanced Scorecard approach can be a framework for this. It has four components: (a) financial/economic, (b) people (e.g., customers, clients, patients), (c) internal business processes (e.g., operational processes), and (d) organization monitoring, learning and growth. Translated into the healthcare context we could consider, first, the financial costs and funding of our multiple provincial and territorial systems, and their economic sustainability. The second category includes a broad range of issues such as quality of patient care and accessibility. Third, is our system functionality: big issues like having a system oriented toward acute care when the costs are heavily weighed toward chronic care, and more operational matters such as efficiencies in hospitals. Fourth is how we revisit continuously what we are doing and inject innovation and new knowledge into the ongoing process of improvement. Notice, that we have not yet mentioned governments or governance of the healthcare system. These essential parts of Canadian healthcare frame the structure. Implementing strategy takes place within this. Of course it would be convenient if in an orderly fashion we could design a strategy, then subsequently put the governmental and other structures in place to implement the strategy – first one, then the other. The process is, however, more iterative: we reposition, adjust and restructure as we move forward.

The Balanced Scorecard framework contains something more of importance. It links strategy with implementation. Each objective, goal and strategy needs to be broken down into measures. How will we measure the achievement of our strategy? We cannot evaluate what we cannot measure. There can be qualitative measures as well as quantitative; but we need to have something against which to assess performance. Next are targets. For each strategy that has a measure, there must be a target performance for the period ahead. What are we striving to achieve? Following targets, what are the specific activities and

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initiatives that will be undertaken to meet the targets. Sometimes we talk about having action plans for our strategies – that is what we mean here. Finally, there are outputs and outcomes. What actually happened? Did we achieve our targets? Why, or why not? We take this back into the planning process and start again. Sometimes we make game-changing moves, but more commonly we shift, adjust and nuance changes based on what experience has taught us.

MEASURES:
How successful achievement is to be determined

TARGETS:
Specific measures to be achieved in a defined period

INITIATIVES/ACTIONS:
Programs, projects and activities to implement the strategy

OUTPUT/OUTCOMES:
Measurement to determine if targets have been met

What could this mean for a Canadian healthcare strategy? In the Balanced Scorecard method, each province and territory would have its own Balanced Scorecard. Several provinces, such as British Columbia, Alberta and Saskatchewan, currently have variations of scorecards, so the concept is not new. The administrative levels and enterprises (regions, local health networks, hospitals, etc.) that fall under their supervision would likewise have scorecards that tie into the higher-level provincial scorecard. They form an interconnected set of strategies.

How would this work for Canada as a whole? Could we build a strategy that embodies shared vision and a collective view of Balanced Scorecard categories, namely, (a) economic sustainability, (b) care for patients and healthy living for all, (c) system efficiency and productivity and (d) learning and innovation? In the corporate world, strategy is often seen as marrying both top down and bottom up. For Canadian healthcare the idea of directional imposition from either the bottom or top misses the important feature of collaboration – all of us together. Of course, more needs to be said about how we could develop strategy collectively, and how the Balanced Scorecard could overcome some challenges. This will come later.

How Strategy Relates To Organizational Structure And Governance

For decades there has been an orthodoxy among management academics, attributable in large part to the groundbreaking historical work by Chandler: the strategy of the organization should determine the management and governance structure that is put in place to implement and manage the strategy. In simple terms, strategy should drive structure, not the reverse. We should organize the management structures and processes and put in place governance mechanisms that align best with the overall mission, vision, values and strategic goals and objectives the entity seeks to achieve. Chandler’s historical account of five major US corporations clearly showed that the changes in organizational structures to align with new strategic directions were difficult to achieve but crucial to adapting to new realities. Of course, we cannot restructure organizations simply because a new strategy is adopted, but we can over time move the shape of the organization to better align with our long-term strategic goals.

In public healthcare, it is not difficult to see the enormous dominance of structure. All Canadian provinces have restructured their healthcare organizational structures and governance apparatuses over the past thirty years, but have these structural changes supported long-term strategies?


17 See the Alfred Chandler’s influential book, Strategy and Structure.

18 See the companion backgrounder to this conference, J. Dixon, Healthcare Reform in Canada (Kingston, ON: The Monieson Centre, 2013).
What Does A Canadian Healthcare Strategy Mean?

At the outset, we said that both skeptics and cynics might bristle at the thought of a Canadian strategy, the former thinking it would not be achievable and the latter that it ought not be approached. Is there an answer that would be satisfactory to both?

The skeptic would think that thirteen provincial and territorial governments and the federal government could not find a common ground and in any event would not have a mechanism for achieving integration of shared interests. It is the purpose of the conference to determine whether there appears to be high-level consensus as to what content might form part of a strategy. If Canadians do not have shared goals and objectives, then clearly no overarching national strategy could result. Each government will continue to operate independently, perhaps collaborating with other governments, but only on a piecemeal basis. The risk of continued separateness may be realized in the continuing decline of Canadian healthcare performance as measured by costs and outcomes against that of other developed countries. However, if Canadian provinces and territories can be shown to have shared purposes, the strategy discussion above provides a framework for strategy building.

To address the cynic’s concerns it behooves us first to reaffirm the Canadian commitment to provincial/territorial jurisdictional rights and authorities. Next, it is important to refer back to the forms of strategic integration – vertical, horizontal related and horizontal non-related. The horizontal related model depicts the most appropriate Canada-level approach because it reflects the independence of each jurisdiction and the differences in their needs. The extent of relationship integration, though, depends upon what goals and objectives they share, not their differences. Within provinces/territories, vertical integration of supply chains and other systems is what we would expect to see.

How is the integration possible if jurisdicitional integrities are to be preserved? Over the course of history, federations of politically autonomous states have served the interests of mutual defense, foreign policy and trade. Canada itself is one such example, the European Union is another. Equally, businesses enter joint ventures in mining, oil exploration, technology development and other partnerships. Even competitors enter liaisons for these purposes.

A more contemporary approach is the strategic alliance. As Doz and Hamel explain, “On the surface, one might not see a great deal of difference between an alliance and the more familiar joint venture. Both, after all, seek to accomplish what the individual firm cannot, or chooses not, to attempt on its own.” They distinguish alliances from joint ventures by pointing out that alliances are (1) more closely associated with being central to an organization’s core strategy than joint ventures, (2) more inclined to share risks of moving into uncharted waters with the objective of reducing uncertainty than joint ventures that share known resources and risks, (3) more likely to involve multiple partners where joint ventures tend to be bilateral, (4) often designed to develop new complex systems than simply co-produce a product, and (5) more open to addressing unforeseen strategic and operational interdependencies than a conventional joint venture.

These points about alliances appear to capture many of the characteristics to be anticipated in a collaborative partnership among Canadian governments and their major stakeholders. The skeptic and cynic both can take comfort in the fact that federations, joint ventures and alliances, however they differ, come together often not for love but mutual gain. All must respect that each contributes to the partnership only those resources that are specific to the goals and objectives to be undertaken. The mission and vision of the alliance may be focused; only the values and principles need be universal. So, a Canadian healthcare strategy could arise from a strategic alliance with partnership terms that best suit its collective purposes.

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Impediments To A Balanced Scorecard Approach

The Balanced Scorecard provides a very powerful framework for an alliance-based Canadian strategic plan mainly because it focuses not only on collaborative strategy formulation but also on how it is to be implemented. As a planning tool it reinforces the causal connection between, on one hand, the planned goals and objectives and, on the other, the measures, targets and activities that are intended to achieve them. However, using a Balanced Scorecard creates challenges which need to be addressed. Kaplan points to several. First, the public sector often has multiple oversight agencies each with its own agenda, making coordinated efforts difficult. At present this is an almost insurmountable problem in Canadian healthcare with so many governments operating separately. An alliance, however, would go a long way toward bringing unification to those strategic areas where goals and objectives are shared.

Second, the public sector is often less comfortable with the process of developing strategy than is the private sector. But unfamiliarity or lack of initial recognition of its value is hardly grounds for giving up the very idea of strategic planning given the enormous benefits that could be realized. Still, most Canadian provinces already have clearly laid out healthcare strategies linked to measures, targets and results.

Third is the harsh political reality of attacking criticism by the media, interest groups and the political opposition to be faced by a government who sets targets but does not meet them. Many provinces are now posting healthcare performance measures, targets and results. Ontario now requires this as well for individual hospitals. So this should not cause us to abandon our desire for clarity of objectives and targets. In part the onus is on Canadians, not only to demand the level of accountability imposed by the scorecard approach, but also to accept the fact that targets are not always achieved and to be prepared to applaud the initiatives undertaken.

Fourth, the public sector lacks the financial incentive structure available in the private sector, so will have difficulty getting acceptance by employees of the need to meet targets. This, too, seems to be a weak objection because the potential for financial reward has long been discredited as unitary explanation of human behaviour. The public sector has always needed to utilize other forms of motivation, such as mission-based, life-style, qualitative recognition and other forms of reward.

Fifth, public sector programs sometimes have long-duration goals such as the alleviation of poverty that underlies poor health or improving the health of seniors which are hard to define precisely and in any event could take years to realize. This is seen in contrast with the more immediate realization of financial goals. The point has merit to the extent that social goals are sometimes expressed as ideal outcomes that seem to be distant and unreachable. Here we need to distinguish between outcomes as ideals and outputs that result from actions. With this in mind, distant outcomes need to be expressed for planning purposes in terms of outputs, which are attainable within a short to medium term planning horizon. It is important to recognize that strategic planning may be guided by values, principles and aspirational goals, but the plans themselves need to be expressed in terms of reachable milestones and other achievements.

Sixth, and finally, many public sector outcomes require multiple government ministries or departments that may fall outside of the authorities of the planning entity. Improving the health of residents of a province is an example of a goal that could not be achieved only by a healthcare ministry. There are two points to be made in response. To begin with, this point can be made about the difficulty in achieving nation-wide objectives at present because of the multi-jurisdictional nature of Canadian healthcare. The purpose of an alliance, however, is precisely to bring these jurisdictions together to achieve common objectives. Further, strategic planning cannot accomplish every social policy ideal. If coordination is not possible from the practical point of view, then no strategy is possible either. Our focus here should be on what is practicable through an alliance – an entity for which it is possible to develop achievable strategies.

24 Kaplan, Overcoming the Barriers to Balanced Scorecard Use in the Public Sector.
Conclusion

Attempts to formulate strategy often fail because they are mired in confusion about the meaning of terms and weighed down by contextual details. The clarity and simplicity of the strategic framework, however, can help us sort through the complex issues. A Canadian healthcare strategy can be seen as a strategic alliance; its partners and the terms of agreement are open to be established; its goals and objectives to be forged from consensus guided by shared values; and its strategic plans, measures, targets, actions and evaluations comprise the stuff of strategy making.

Canada has many healthcare strategies. Each province and territory has one. But with separate and uncoordinated strategies, we find our healthcare system underperforming – more expensive and less efficient than in many other developed countries. The question should now be clear: To improve our performance, should Canada have a healthcare strategy?
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